Financial Services, Inc.
The Holding Company of Community Bank

CREATING **VALUE** BY LOOKING **AHEAD**

PROXY STATEMENT
& 2022 ANNUAL REPORT
ON FORM 10-K

Notice of 2023
Annual Meeting

Financial Services, Inc.

The Holding Company of Community Bank

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CREATING **VALUE** BY LOOKING **AHEAD**

A year ago, our expectation was that economic conditions were entering a new, post-pandemic normal. While that proved to largely be the case for most of us in our day-to-day world, inflation also began accelerating which, in turn, led the Federal Reserve to embark on a series of interest rate hikes that has continued into this year. In last year's letter I noted that our management team and Board of Directors worked to position the bank's assets to benefit from these increases and we did see our net interest income increase accordingly. At the same time, we are also diligently focused on risk management. We have an experienced team that has successfully navigated various credit cycles in the past and we expect that to be a key element of our success going forward.

Our 2022 results benefited from reduced operating expense levels due, in part, to the optimization initiative we largely completed in 2021 and highlighted a year ago. We are proud of our ability to improve the efficiency ratio throughout the year. Toward the end of the year, we did begin to see some inflationary impacts on our business, primarily in our employee compensation. Like many industries and businesses, we have seen the cost of employee retention and recruitment begin to rise and as our people are one of our most important assets, we intend make sure their compensation levels reflect that value.

Despite the looming headwinds of increasing interest rates and slowing economic expansion, we continue to place growing our business at the center of our strategic initiatives. To drive that growth, during 2022 we continued to add key members to our team, both at the leadership level and throughout the organization. During the first half of the year, we added seasoned commercial and retail sales leaders tasked with driving growth in those channels. In the third quarter, we created a business banking team that boasts over 70 years of combined experience in the current market and added additional talent to our commercial banking team.

Creating Value by Looking Ahead

At its core, our business is rooted in the value we create for our clients. Our goal is to be more than a provider of transactions but rather a true partner helping our clients better achieve their goals and objectives. We accomplish this by studying, analyzing, and envisioning what their future needs might be, and then we develop the processes, implement the technology, and train our people to be ready to deliver for our clients.

Like it does for many, 2023 represents a set of challenging business conditions. In comments following its most recent meeting, the Federal Reserve Board set expectations that interest rate increases will continue, albeit at a slower rate than last year, and rates will be held higher for a period of time. As a financial institution, the continued upward march of interest rates impacts our business in so many ways, from repricing of variable rate assets and liabilities to market demand for the products and services we provide. Against that backdrop, we will continue to focus on quality credit underwriting while tasking our team with seeking out opportunities to smartly deploy our capital.

The ultimate impact of rising rates on economic activity will play a large part in loan demand. As I noted earlier, we have made key additions to our team to help drive growth and also possess ample liquidity for our lending team to deploy. Also working to our advantage are the markets in which we operate. On the whole, our Southwestern Pennsylvania market tends to experience lower economic volatility. A general lack of speculative activity, particularly in real estate, helps mitigate some of the impact of rising rates, resulting in more predictable credit quality.

That, in turn, allows us to more confidently put capital to work, ultimately driving value for our shareholders and other constituents. As we have noted in the past, our success is largely measured through the value we create for our shareholders and the goal of our growth efforts is to increase shareholder returns through dividends, share repurchases and, most importantly, increased market capitalization. We recently increased our quarterly dividend by 4.2%, to $0.25 per share, which annualizes to $1.00 per share for a dividend yield of approximately 4.1%. We also continue to have room under our existing share repurchase program and expect to continue balancing our capital return activities as market conditions warrant.

I continue to believe the bedrock of value creation for all stakeholders is a relentless attention on our clients coupled with excellent risk management. In these uncertain economic times, we must remain focused on strengthening our relationships with clients. Our goal is to couple excellent client experiences with improved technology to reduce risk and generate more profitable relationships, which will ultimately benefit our shareholders through increased earnings.

On behalf of our Chairman, Mark F. Fox, our Board of Directors, and leadership team, we are truly humbled to work with such a dedicated group of employees. Whether working remotely or in person, our team was tested. We passed, and more importantly, have built a strong foundation to support the Bank's growth well into the future.

We wish to thank our stockholders, clients, and friends for their support and confidence.

Sincerely Yours,

John H. Montgomery

John H. Montgomery
President & CEO

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April 6, 2023

Dear Fellow Stockholder:

The annual meeting of stockholders of CB Financial Services, Inc. (the "Company"), the holding company for Community Bank will be held at the Ralph J. Sommers, Jr. Operations Center of Community Bank, 600 EverGreene Drive, Waynesburg, Pennsylvania, on Wednesday, May 17, 2023, at 9:00 a.m., local time.

The notice of annual meeting and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. Directors and officers of the Company, as well as representatives of FORVIS, LLP, the Company's independent registered public accounting firm, will be present to respond to appropriate questions from stockholders.

It is important that your shares are represented at the meeting, regardless of the number of shares you own. To make sure your shares are represented, we urge you to vote by promptly completing and mailing the enclosed proxy card or by voting via the Internet or by telephone. Internet and telephone voting instructions appear on the enclosed proxy card. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card or voted via the Internet or by telephone.

Sincerely,

Mark E. Fox	John H. Montgomery
Chairman of the Board	*President & Chief Executive Officer*

Special Notice Regarding In-Person Attendance at Annual Meeting – In light of the ongoing health concerns relating to the COVID-19 coronavirus pandemic and to best protect the health and welfare of the Company's employees, stockholders and community, stockholders who plan to attend the annual meeting in person this year may be required to wear a face covering.

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cb Financial Services, Inc.

100 North Market Street
Carmichaels, Pennsylvania 15320
(724) 966-5041

NOTICE OF 2023 ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE 9:00 a.m., local time, on Wednesday, May 17, 2023.

PLACE Ralph J. Sommers, Jr. Operations Center of Community Bank, 600 EverGreene Drive, Waynesburg, Pennsylvania.

ITEMS OF BUSINESS

(1) To elect three directors to serve for a term of three years.

(2) To ratify the appointment of FORVIS, LLP to serve as the independent registered public accounting firm for the fiscal year ending December 31, 2023.

(3) To hold an advisory (non-binding) vote to approve the compensation of the named executive officers as disclosed in the accompanying proxy statement.

(4) To transact such other business as may properly come before the meeting and any adjournment or postponement of the meeting.

RECORD DATE In order to vote, you must have been a stockholder at the close of business on March 27, 2023.

PROXY VOTING It is important that your shares be represented and voted at the meeting. You can vote your shares via the Internet, by telephone or by completing and returning the proxy card or voting instruction card sent to you. You can revoke your proxy at any time before its exercise at the meeting by following the instructions in the proxy statement.

By Order of the Board of Directors,

Elizabeth A. Calvario
Corporate Secretary

Carmichaels, Pennsylvania
April 6, 2023

Special Notice Regarding In-Person Attendance at Annual Meeting – In light of the ongoing health concerns relating to the COVID-19 coronavirus pandemic and to best protect the health and welfare of the Company's employees, stockholders and community, stockholders who plan to attend the annual meeting in person this year may be required to wear a face covering.

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PROXY STATEMENT OF
CB FINANCIAL SERVICES, INC.
(Holding Company for Community Bank)

GENERAL INFORMATION

We are providing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of CB Financial Services, Inc. (the "Board") for the 2023 annual meeting of stockholders and for any adjournment or postponement of the meeting. In this proxy statement, we may also refer to CB Financial Services, Inc. as "CB Financial," the "Company," "we," "our" or "us" and to Community Bank as the "Bank."

We are holding the 2023 annual meeting of stockholders at the Ralph J. Sommers, Jr. Operations Center of Community Bank, 600 EverGreene Drive, Waynesburg, Pennsylvania, on Wednesday, May 17, 2023, at 9:00 a.m., local time.

This proxy statement and the enclosed proxy card are first being made available to stockholders of record beginning on or about April 6, 2023.

Special Notice Regarding In-Person Attendance at Annual Meeting – In light of the ongoing health concerns relating to the COVID-19 coronavirus pandemic and to best protect the health and welfare of the Company's employees, stockholders and community, stockholders who plan to attend the annual meeting in person this year may be required to wear a face covering.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS' MEETING TO BE HELD ON MAY 17, 2023

This proxy statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission ("SEC"), are available online at *http://www.envisionreports.com/CBFV*.

INFORMATION ABOUT VOTING

Who Can Vote at the Meeting

You are entitled to vote your shares of Company common stock that you owned as of March 27, 2023. As of the close of business on that date, 5,117,829 shares of Company common stock were outstanding. Each share of common stock has one vote.

The Company's Articles of Incorporation provides that record holders of the Company's common stock who beneficially own, either directly or indirectly, in excess of 15% of the Company's outstanding shares are not entitled to any vote with respect to those shares held in excess of the 15% limit, subject to limited exceptions.

Ownership of Shares; Attending the Meeting

You may own shares of the Company in one or more of the following ways:

- Directly in your name as the stockholder of record; and
- Indirectly through a broker, bank or other holder of record in "street name."

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to give your proxy directly to us or to vote in person at the meeting.

If you hold your shares in street name, your broker, bank or other holder of record is sending these proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote by filling out a voting instruction form that accompanies your proxy materials. Your broker, bank or other holder of record may allow you to provide voting instructions by telephone or by the Internet. Please see the instruction form provided by your broker, bank or other holder of record that accompanies this proxy statement. If you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. Examples of proof of ownership are a recent brokerage statement or a letter from a bank or broker. If you want to vote your shares of CB Financial common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other nominee who is the record holder of your shares.

Quorum and Voting

Quorum. We will have a quorum and will be able to conduct the business of the annual meeting if the holders of a majority of the outstanding shares of common stock entitled to vote are present at the meeting, either in person or by proxy.

Vote Required for Proposals. In voting on the election of directors, you may vote in favor of the nominees, withhold votes as to all nominees, or withhold votes as to specific nominees. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the annual meeting. This means that the nominees receiving the greatest number of votes will be elected up to the maximum number of directors to be elected at the annual meeting. The maximum number of directors to be elected at the annual meeting is three.

In voting on the ratification of the appointment of FORVIS, LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2023, you may vote in favor of the proposal, vote against the proposal or abstain from voting. To ratify the appointment of FORVIS, LLP, the affirmative vote of a majority of the votes cast at the annual meeting is required.

In voting on the proposal to approve the compensation of the named executive officers, you may vote in favor of the proposal, vote against the proposal or abstain from voting. To approve the compensation of the named executive officers, the affirmative vote of a majority of the votes cast at the annual meeting is required.

How We Count Votes. If you return valid proxy instructions or attend the meeting in person, we will count your shares to determine whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted to determine the existence of a quorum.

In the election of directors, votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In counting votes on the proposal to ratify the appointment of FORVIS, LLP to serve as the Company's independent registered public accounting firm, we will not count abstentions and broker non-votes as votes cast. Therefore, abstentions and broker non-votes will have no effect on the outcome of the vote on the proposal. Similarly, abstentions and broker non-votes will have no effect on the outcome of the advisory (non-binding) vote on the compensation of the named executive officers.

Effect of Not Casting Your Vote

If you hold your shares in street name, you must cast your vote if you want it to count in the election of directors (Item 1) or in the advisory (non-binding) vote regarding the compensation of the named executive officers (Item 3). Current stock market regulations prohibit your bank or broker from voting your uninstructed shares in the election of directors and on certain other matters on a discretionary basis. Therefore, if you hold your shares in street name and you do not instruct your bank or broker how to vote on Items 1 or 3, no votes will be cast on these matters on your behalf. These are referred to as "broker non-votes." Your bank or broker, however, has discretion to vote any uninstructed shares on the ratification of the appointment of the Company's independent registered public accounting firm (Item 2).

Voting by Proxy

The Company's Board is sending you this proxy statement to request that you allow your shares of Company common stock to be represented at the annual meeting by the persons named on the enclosed proxy card. All shares of Company common stock represented at the meeting by properly executed and dated proxies will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Board.

The Board unanimously recommends that you vote:

- **"FOR"** all the nominees for director;
- **"FOR"** the ratification of the appointment of FORVIS, LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2023; and
- **"FOR"** the approval of the compensation of the Company's named executive officers.

If any matters not described in this proxy statement are properly presented at the annual meeting, the persons named in the proxy card will use their judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the annual meeting to solicit additional proxies. If the annual meeting is postponed or adjourned, your shares of Company common stock may be voted by the persons named in the proxy card on the new meeting date, provided that the new meeting occurs within 30 days of the original date of the annual meeting and you have not revoked your proxy. We do not currently know of any other matters to be presented at the annual meeting.

Instead of voting by completing and mailing a proxy card, registered stockholders can vote their shares of Company common stock via the Internet or by telephone. The Internet and telephone voting procedures are designed to authenticate stockholders' identities, allow stockholders to provide their voting instructions and confirm that their instructions have been recorded properly. Specific instructions for Internet and telephone voting appear on the enclosed proxy card. **The deadline for voting via the Internet or by telephone is 1:00 a.m., Eastern Time, on May 17, 2023.**

Revoking Your Proxy

Whether you vote by mail, telephone or via the Internet, if you are a registered stockholder, unless otherwise noted, you may later revoke your proxy by:

- sending a written statement to that effect to the Company's Corporate Secretary;
- submitting a properly signed proxy card with a later date;
- voting by telephone or via the Internet at a later time (if initially able to vote in that manner) so long as such vote is received by the applicable time and date set forth above for registered stockholders; or
- voting in person at the annual meeting.

If you hold your shares through a bank, broker, trustee or nominee and you have instructed the bank, broker, trustee or nominee to vote your shares, you must follow the directions received from your bank, broker, trustee or nominee to change those instructions.

CORPORATE GOVERNANCE

Director Independence

The Company's Board currently consists of 12 members, all of whom are independent under the listing requirements of the NASDAQ Stock Market except for John H. Montgomery, Richard B. Boyer and Ralph Burchianti, who are our employees. In determining the independence of directors, the Board considered the various deposit, loan and other relationships that each director has with the Bank, including loans and lines of credit outstanding to Mark E. Fox, Charles R. Guthrie, CPA, Joseph N. Headlee, John J. LaCarte, Roberta Robinson Olejasz and David F. Pollock or to their related entities, as well as the transactions disclosed under "*Other Information Relating to Directors and Executive Officers—Transactions with Related Persons*", but determined in each case that these relationships did not interfere with their exercise of independent judgment in carrying out their responsibilities as directors.

Board Diversity

The Company's common stock is listed on the Nasdaq Global Market. Nasdaq's Board Diversity Rule requires the Company to publicly disclose Board-level diversity statistics annually. The Company intends to post these updated statistics for 2023 at the Investor Relations section of the Bank's website (https://www.communitybank.tv) no later than December 31, 2023 in accordance with Nasdaq Rule 5606(e). The Board Diversity Rule also requires the Company to have or explain in its annual meeting proxy statement why it does not have at least one diverse director by August 7, 2023, and at least two diverse directors by August 6, 2025. The Company currently qualifies as a "smaller reporting company" under SEC regulations. Because the Company qualifies as a "smaller reporting company" it may satisfy the diversity objective of the Board Diversity Rule by having two female directors. The Company currently has one female director.

Board Leadership Structure and Board's Role in Risk Oversight

Mr. Fox serves as Chairman of the Board and Mr. Guthrie serves as Vice Chairman of the Board. The Board believes this arrangement is appropriate given that more than a simple majority of the members of the Board are independent. The Board believes that the independent directors, working together, provide strong, independent oversight of the Company's management and affairs. The Board has not designated a lead independent director.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. The Company faces several risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the daily management of risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with management to discuss strategy and the risks facing the Company. Senior management attends the Board meetings and is available to address any questions or concerns raised by the Board on risk management and any other matters. The independent members of the Board, working together, provide strong, independent oversight of the Company's management and affairs through its standing committees and, when necessary, special meetings of independent directors.

Corporate Governance Policy

The Board has adopted a corporate governance policy to govern certain activities, including: the duties and responsibilities of directors; the composition, responsibilities and operations of the Board; the establishment and operation of Board committees; succession planning; convening executive sessions of independent directors; the Board's interaction with management and third parties; and the evaluation of the performance of the Board and of the President and Chief Executive Officer.

Board Committees

The following table identifies the Board's standing committees and their members as of December 31, 2022. All members of each committee are independent in accordance with the listing requirements of the NASDAQ Stock Market. Each committee operates under a written charter that is approved by the Board and that governs its composition, responsibilities and operation. Each committee reviews and reassesses the adequacy of its charter at least annually. The charter of each committee is available at the Investor Relations section of the Bank's website (*https://www.communitybank.tv*).

Director	Audit Committee	Compensation Committee	Nominating/ Corporate Governance Committee
Karl G. Baily	Vice Chairman		
Jonathan A. Bedway		X	
Richard B. Boyer			
Ralph Burchianti			
Mark E. Fox	X	X	X
Charles R. Guthrie, CPA	Chairman	X	X
Joseph N. Headlee		X	
John J. LaCarte	X	Chairman	X
John H. Montgomery			
Roberta Robinson Olejasz	X		X
William G. Petroplus [(1)]			
David F. Pollock		X	Vice Chairman
John M. Swiatek		Vice Chairman	Chairman
Number of meetings in fiscal 2022	9	4	2

[(1)] *Mr. Petroplus retired from the Board effective February 16, 2023.*

Audit Committee

The Audit Committee is responsible for providing oversight relating to our consolidated financial statements and financial reporting process, systems of internal accounting and financial controls, internal audit function, annual independent audit and the compliance and ethics programs established by management and the Board. The Audit Committee is also responsible for engaging the Company's independent registered public accounting firm and monitoring its conduct and independence. The Company's Board has designated Charles R. Guthrie, CPA as an "audit committee financial expert" under the rules of the SEC.

Compensation Committee

The Compensation Committee approves the compensation objectives for the Company and the Bank, establishes the compensation for the Company's and Bank's executive management and conducts the performance review of the President and Chief Executive Officer. The Compensation Committee reviews and evaluates all components of compensation, including salaries, cash incentive plans, long-term incentive plans and various employee benefit matters. The Compensation Committee also administers and has discretionary authority over the issuance of equity awards under the Company's equity incentive plan. Decisions by the Compensation Committee with respect to the compensation of executive officers, except for the issuance of equity awards, are approved by the full Board. The Compensation Committee also assists the Board in evaluating potential candidates for executive positions. With respect to other executive officers, the Chief Executive Officer recommends their annual compensation based on both individual and company-wide performance, subject to review and approval of the Compensation Committee and the Board. In addition, the Compensation Committee may delegate to management certain of its duties and responsibilities, including the adoption, amendment, modification or termination of the Bank's tax-qualified retirement plans and health and welfare plans. The Compensation Committee also reviews the form and amount of compensation paid to our non-management directors from time to time.

The Compensation Committee has sole authority and responsibility under its charter to approve the engagement of any compensation consultant it uses and the fees for those services. The Compensation Committee did not engage the services of a compensation consultant during 2022.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee assists the Board in: (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board; (ii) recommending to the Board the director nominees for the next annual meeting; (iii) implementing policies and practices relating to corporate governance, including implementation of and monitoring adherence to corporate governance guidelines; (iv) leading the Board in its annual review of the Board's performance; and (v) recommending director nominees for each committee.

Minimum Qualifications for Director Nominees. The Nominating/Corporate Governance Committee has adopted a set of criteria that it considers when it selects individuals to be nominated for election to the Board. A candidate must meet the eligibility requirements set forth in the Company's Bylaws, which include a requirement that the candidate have not been subject to certain criminal or regulatory actions. A candidate also must meet any qualification requirements set forth in any Board or committee governing documents.

If a candidate is deemed eligible for election to the Board, the Nominating/Corporate Governance Committee will then evaluate the following criteria in selecting nominees:

- contributions to the range of talent, skill and expertise of the Board;
- financial, regulatory and business experience, knowledge of the banking and financial service industries, familiarity with the operations of public companies and ability to read and understand financial statements;
- familiarity with the Company's market area and participation in and ties to local businesses and local civic, charitable and religious organizations;
- personal and professional integrity, honesty and reputation;
- the ability to represent the best interests of the stockholders of the Company and the best interests of the institution;
- the ability to devote sufficient time and energy to the performance of his or her duties;
- independence as that term is defined under applicable SEC and NASDAQ stock exchange listing criteria; and
- current equity holdings in the Company.

The Nominating/Corporate Governance Committee also will consider any other factors it deems relevant, including diversity, age, competition, size of the Board and regulatory disclosure obligations.

With respect to nominating an existing director for re-election to the Board, the Nominating/Corporate Governance Committee will consider and review an existing director's attendance and performance at Board meetings and at meetings of committees on which he or she serves; length of Board service; the experience, skills and contributions that the existing director brings to the Board; and independence.

Director Nomination Process. For purposes of identifying nominees for the Board, the Nominating/Corporate Governance Committee relies on personal contacts of the committee members and other members of the Board, as well as its knowledge of members of the communities served by the Bank. The Nominating/Corporate Governance Committee will also consider director candidates recommended by stockholders according to the policy and procedures set forth below. The Nominating/Corporate Governance Committee has not previously used an independent search firm to identify nominees.

In evaluating potential nominees, the Nominating/Corporate Governance Committee determines whether the candidate is eligible and qualified for service on the Board by evaluating the candidate under the criteria set forth above. If such individual fulfills these criteria, the Nominating/Corporate Governance Committee will conduct a check of the individual's background and interview the candidate to further assess the qualities of the prospective nominee and the contributions he or she would make to the Board.

Consideration of Stockholder Recommendations. It is the policy of the Nominating/Corporate Governance Committee to consider director candidates recommended by stockholders who appear to be qualified to serve on the Company's Board. The Nominating/Corporate Governance Committee may choose not to consider an unsolicited recommendation if no vacancy exists on the Board and the Nominating/Corporate Governance Committee does not perceive a need to increase the size of the Board. In order to avoid the unnecessary use of the Nominating/Corporate Governance Committee's resources, the Nominating/Corporate Governance Committee will consider only those director candidates recommended in accordance with the procedures set forth below.

Procedures to be Followed by Stockholders. To submit a recommendation of a director candidate to the Nominating/ Corporate Governance Committee, a stockholder should submit the following information in writing, addressed to the Chairman of the Nominating/Corporate Governance Committee, in care of the Corporate Secretary, at the main office of the Company:

1. The name of the person recommended as a director candidate;
2. All information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934;
3. The written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serving as a director if elected;
4. As to the stockholder making the recommendation, the name and address of such stockholder as they appear on the Company's records; provided, however, that if the stockholder is not a registered holder of the Company's common stock, the stockholder should submit his or her name and address along with a current written statement from the record holder of the shares that reflects ownership of the Company's common stock; and
5. A statement disclosing whether such stockholder is acting with or on behalf of any other person and, if applicable, the identity of such person.

In order for a director candidate to be considered for nomination at the Company's annual meeting of stockholders, the recommendation must be received by the Nominating/Corporate Governance Committee at least 120 calendar days before the date the Company's proxy statement was released to stockholders in connection with the previous year's annual meeting, advanced by one year.

Board and Committee Meetings

During the fiscal year ended December 31, 2022, the Company's Board of Directors held 16 meetings. No director attended less than 75% of the total meetings of the Company's and the Bank's Board of Directors and the respective committees on which such director served during the fiscal year.

Director Attendance at Annual Meeting of Stockholders

The Board encourages each director to attend the Company's annual meeting of stockholders. All of the Company's directors then serving attended last year's annual meeting of stockholders.

Code of Ethics and Business Conduct

The Company has adopted a code of ethics and business conduct which applies to all of the Company's and the Bank's directors, officers and employees. A copy of the code of ethics and business conduct is available on the Investor Relations section of the Bank's website (*https://www.communitybank.tv*).

REPORT OF THE AUDIT COMMITTEE

The Company's management is responsible for the Company's internal controls and financial reporting process. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements and issuing an opinion on the conformity of those financial statements with generally accepted accounting principles in the United States. The Audit Committee oversees the Company's internal controls and financial reporting process on behalf of the Board of Directors.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 1301, *Communications with Audit Committee*, which include matters related to the conduct of the audit of the Company's consolidated financial statements.

In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm, required by the applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the firm's independence from the Company and its management. In concluding that the registered public accounting firm is independent, the Audit Committee considered, among other factors, whether the non-audit services provided by the firm were compatible with its independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of the Company's internal controls, and the overall quality of the Company's financial reporting.

In performing all of these functions, the Audit Committee acts only in an oversight capacity. In its oversight role, the Audit Committee relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent registered public accounting firm who, in its report, express an opinion on the conformity of the Company's consolidated financial statements to generally accepted accounting principles in the United States. The Audit Committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions with management and the independent registered public accounting firm do not assure that the Company's consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States, that the audit of the Company's consolidated financial statements has been carried out in accordance with generally accepted auditing standards or that the Company's independent registered public accounting firm is "independent."

In reliance on the reviews and discussions referred to above, the Audit Committee has recommended to the Board, and the Board has approved, that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for filing with the SEC. The Audit Committee also has approved, subject to stockholder ratification, the selection of the Company's independent registered public accounting firm for the fiscal year ending December 31, 2023.

Audit Committee of the Board of Directors of
CB Financial Services, Inc.

Charles R. Guthrie, CPA, Chairman
Karl G. Baily, Vice Chairman
Mark E. Fox
John J. LaCarte
Roberta Robinson Olejasz

DIRECTOR COMPENSATION

The following table sets forth the compensation received by individuals who served as directors, and who were not also named executive officers, of the Company during the fiscal year ended December 31, 2022.

Director	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Karl G. Baily	$ 31,200	$ 26,250	$ —	$ —	$ 2,400	$ 59,850
Jonathan A. Bedway	31,200	26,250	—	—	2,400	59,850
Mark E. Fox	50,550	26,250	—	—	2,400	79,200
Charles R. Guthrie, CPA	48,000	26,250	—	—	2,400	76,650
Joseph N. Headlee	31,200	26,250	—	—	2,400	59,850
John J. LaCarte	35,900	26,250	—	—	2,400	64,550
Roberta Robinson Olejasz	31,200	26,250	—	—	2,400	59,850
William G. Petroplus (1)	31,200	26,250	—	—	2,400	59,850
David F. Pollock	34,800	26,250	—	—	2,400	63,450
John M. Swiatek	34,800	26,250	—	—	2,400	63,450

(1) *Mr. Petroplus retired from the Board effective February 16, 2023.*

(2) *Reflects the aggregate grant date fair value for restricted stock awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718 – Share Based Payment, based on the closing price of the Company's common stock on the grant date ($26.25 per share on February 16, 2022). Restricted stock awards were issued under the CB Financial Services, Inc. 2021 Equity Incentive Plan (the "2021 Equity Incentive Plan") and vest over 5 years with 20% vesting on*

February 16, 2023. As of December 31, 2022 , each listed director had outstanding stock awards of 2,000 shares. See "Executive Compensation – Equity Incentive Plan.".

STOCK OWNERSHIP

The Company does not know of any person to be the beneficial owner of more than 5% of the Company's outstanding common stock as of March 27, 2023.

The following table provides information as of March 27, 2023, about the shares of Company common stock that may be considered to be beneficially owned by each nominee for director, by each continuing director, by the executive officers named in the Summary Compensation Table and by all directors and executive officers of the Company as a group. A person may be considered to beneficially own any shares of common stock over which he has, directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, each of the named individuals has sole voting and investment power with respect to the shares shown and none of the named individuals has pledged any of his or her shares.

Name	**Number of Shares Owned** (1)	**Percent of Common Stock Outstanding** (1)(2)
***Directors*:**		
Karl G. Baily	29,872 (3)(6)	*
Jonathan A. Bedway	16,999	*
Richard B. Boyer	27,893 (6)	*
Ralph Burchianti	84,838 (5)	1.7%
Mark E. Fox	23,420 (4)(6)	*
Charles R. Guthrie, CPA	24,938 (4)(6)	*
Joseph N. Headlee	33,535 (6)	*
John J. LaCarte	129,515 (4)	2.5%
John H. Montgomery	22,600 (6)	*
Roberta Robinson Olejasz	10,410 (3)	*
David F. Pollock	47,545	*
John M. Swiatek	22,343 (6)	*
***Executive Officers Who Are Not Directors*:**		
Jamie L. Prah, CPA	18,683	*
Jennifer L. George	22,827 (6)	*
All Directors and Executive Officers as a Group:		
(14 persons)	515,418	10.1%

* *Represents less than 1% of the Company's outstanding shares.*

(1) *Options that are exercisable or exercisable within 60 days are treated as beneficially owned and are treated as outstanding shares for the purpose of computing the beneficial ownership of the individual who holds the options, but not for the purpose of computing the percentage ownership of any other individual.*

(2) *Based on 5,117,829 shares of the Company's common stock outstanding and entitled to vote as of March 27, 2023.*

(3) *Includes shares owned indirectly through a spouse or child as follows: Mr. Baily – 1,063 shares, and Ms. Olejasz – 1,910 shares.*

(4) *Includes shares held by a corporation or limited partnership as follows: Mr. Fox – 725 shares, Mr. Guthrie – 48 shares and Mr. LaCarte – 85,000 shares.*

(5) *Includes shares owned indirectly through an investment club as follows: Mr. Burchianti – 2,200 shares. Mr. Burchianti has a 16.6% interest in the investment club and disclaims beneficial ownership with respect to 1,834 shares.*

(6) *Includes shares owned through a retirement account as follows: Mr. Baily – 2,227 shares, Mr. Boyer – 11,989 shares, Mr. Fox – 7,228 shares, Mr. Guthrie – 6,450 shares, Mr. Headlee – 2,500 shares, Mr. Montgomery – 2,500 shares, Mr. Swiatek – 6,334 shares and Ms. George – 3,047 shares.*

ITEMS OF BUSINESS TO BE VOTED ON BY STOCKHOLDERS

Item 1 — Election of Directors

Currently, the Board consists of 12 members. The Board is divided into three classes, each with three-year staggered terms, with approximately one-third of the directors elected each year.

The three nominees who have been nominated for election at the annual meeting to serve for a three-year term or until their successors have been duly elected and qualified are: Mark E. Fox, John J. LaCarte, David F. Pollock. The nominees are currently directors of the Company and the Bank.

Unless you indicate that your shares should not be voted for one or more nominee(s), the Board intends that the proxies solicited by it will be voted for the election of all the Board's nominees. If any nominee is unable to serve, the persons named in the proxy card intend to vote your shares to approve the election of any substitute proposed by the Board. At this time, we know of no reason why any nominee might be unable to serve.

The Board unanimously recommends that stockholders vote "FOR" all the nominees.

Information regarding the nominees for election at the annual meeting and the directors continuing in office is provided below. Unless otherwise stated, each individual has held his current occupation for the last five years. The age indicated for each individual is as of December 31, 2022. The starting year of service as a director includes service on the Board of Directors of the Bank, on FedFirst Financial Corporation ("FedFirst") and its former subsidiary First Federal Savings Bank or on First West Virginia Bancorp, Inc. ("FWVB") and its former subsidiary Progressive Bank, N.A., as applicable.

Board Nominees for Terms Ending in 2026

Mark E. Fox. Mr. Fox, age 64, has served as a director since 1998 and was appointed Chairman of the Board in May 2019 after serving as Vice Chairman since July 2018. Mr. Fox has more than 37 years' experience as the owner and manager of Fox Ford, Inc., a local car dealership. Since 2013, he has served as the President of Fox Ford, Inc. Before that time, he served as Vice President of Fox Ford, Inc. He holds a bachelors' degree in accounting and a Masters of Business Administration ("MBA") degree from Waynesburg University.

Mr. Fox's experience in managing a local business provides the Board with insight into economic and business trends in the Bank's market area.

John J. LaCarte. Mr. LaCarte, age 56, earned his MBA from the University of Rochester and brings broad entrepreneurial, strategic and corporate governance experience and expertise to the Board. He is the President of Washington County based LaCarte Enterprises, Inc., a holding company that owns and operates various multi-state business interests that include Model Dry Cleaners, LLC, Model Uniforms, LLC, Model Apparel, LLC and Stoney's Brewing Company. Additionally, Mr. LaCarte is President of LaCarte Development Company, an enterprise focused on the development and ownership of commercial properties in Western Pennsylvania and North Eastern Ohio. An active volunteer in his local community, Mr. LaCarte serves on various non-profit boards and foundations.

Mr. LaCarte was elected as a director of FedFirst in 1998 and appointed as the Chairman of the Board in 2004. During his tenure, FedFirst successfully completed the acquisition of a wholly owned insurance agency, two public stock offerings and the successful merger with CB Financial in 2014.

David F. Pollock. Mr. Pollock, age 68, has served as a director since 2006. Mr. Pollock has been a practicing attorney for over 41 years. He is a Managing Partner in the law firm of Pollock Morris Belletti & Simms, LLC and, since 2008, has been a Managing Partner of P&S Development, LLC, a real estate development company.

Mr. Pollock's legal knowledge and real estate development experience in the Bank's market area significantly contribute to the depth of the Board.

Directors Continuing in Office

The following directors have terms ending in 2024:

Karl G. Baily. Mr. Baily, age 71, has served as a director since 1996. He retired as President of Coldwell Banker Baily Real Estate and Vice President of Baily Insurance Agency, Inc. in 2012.

Mr. Baily provides the Board with long-standing knowledge of the local real estate market and the local community.

Ralph Burchianti. Mr. Burchianti, age 67, was appointed to director in 2019 and has been employed by the Bank since August 1985 and serves as Senior Executive Vice President – Chief Credit Officer.

Mr. Burchianti provides the Board with knowledge of our geographic footprint and his extensive management and leadership of loan administration and credit culture.

Roberta Robinson Olejasz. Ms. Olejasz, age 51, served as a director of FWVB and Progressive Bank since 2014. Ms. Olejasz has been the dealer operator of Bob Robinson Chevrolet-Buick-GMC-Cadillac Inc. since 2005 and serves as the finance manager of the dealership. Ms. Olejasz is a director and past Chairman of the West Virginia Automobile and Truck Dealers Association, a member of the visiting committee of the West Virginia University College of Business and Economics, and a board member of the Wheeling Chamber of Commerce. Ms. Olejasz received a Bachelor of Science degree in Management from Virginia Commonwealth University and a MBA from West Virginia University.

Ms. Olejasz brings a strong sense of executive management and leadership to the Board. In addition, Ms. Olejasz's experience as the dealer operator of Bob Robinson Chevrolet-Buick-GMC-Cadillac Inc. equips her to understand and guide management decisions and actions relating to planning, risk management, marketing and capital management.

John M. Swiatek. Mr. Swiatek, age 65, served as a director of FedFirst since 2010. Since 2011, Mr. Swiatek has been the owner of JMS Advisors, LLC, a business development and strategic consulting practice. He is also a partner in the Swiatek Melone Group, a strategic marketing, communications and public relations practice. Previously, he served as Managing Director of Innovation Sports & Entertainment, a division of The Innovation Group. Before joining The Innovation Group in 2011, he was the Director of the Sports, Entertainment and Marketing division of GSP Consulting Corporation. Mr. Swiatek also co-founded and served as the President and Managing Partner of the Washington Wild Things, a minor league professional baseball team in Washington, Pennsylvania, from 2001 until 2009.

Mr. Swiatek brings to the Board extensive business background in finance, management and marketing. In addition, he is familiar with our market area as well as the surrounding greater Pittsburgh metropolitan area.

The following directors have terms ending in 2025:

Jonathan A. Bedway. Mr. Bedway, age 57, served as a director of FWVB and Progressive Bank since 2014. Mr. Bedway is the founder and President of Bedway Development Corporation, a commercial construction contractor and a commercial real estate developer. Mr. Bedway is also the President of the following entities: Double J Real Estate, LLC; Bedway Group, Inc.; Bedway Realty; and Bedway Land & Minerals. Mr. Bedway serves on the Board of Wheeling Country Day School. Mr. Bedway is a graduate of The Linsly School and West Virginia University with a Bachelor of Science degree.

Mr. Bedway's 30 years of experience as the owner of a successful construction and development company and his experience and knowledge of the local and regional commercial real estate market are beneficial in reviewing and attracting commercial loans.

Richard B. Boyer. Mr. Boyer, age 64, served as a director of FedFirst since 2002. He has been the President of Exchange Underwriters, Inc. since 1989.

As President of Exchange Underwriters, Mr. Boyer brings to the Board knowledge of the insurance industry and the operations of Exchange Underwriters, which he has managed for over 28 years.

Charles R. Guthrie, CPA. Mr. Guthrie, age 63, has served as a director since 2005. He is the President of Guthrie Belczyk and Associates, P.C., an accounting firm. Mr. Guthrie has been a Certified Public Accountant since 1982. He serves on committees of various community organizations in the Bank's local market area.

Mr. Guthrie's expertise in accounting and corporate management and his community involvement are valuable assets to the Board.

Joseph N. Headlee. Mr. Headlee, age 73, has served as a director since 2002. Until August 2018, Mr. Headlee was a partner in Wayne Lumber Company and remains a partner in the Headlee Partnership. He has held these positions since 1982 and 1980, respectively. Mr. Headlee also has served as Treasurer of Franklin Township Sewage Authority.

Mr. Headlee brings to the Board experience in business management and marketing and familiarity with the Bank's market area.

John H. Montgomery. Mr. Montgomery, age 60, has served as a director since 2020. He has served as President and Chief Executive Officer of the Company and the Bank since August 2020. From 2014 until joining the Company and the Bank, he served as Chief Credit Officer of First Bank, a privately-held $6 Billion bank in St. Louis, Missouri. He served on First Bank's Board of Directors and the Executive Committee. Before joining First Bank, Mr. Montgomery was employed by Susquehanna Bank where he held a variety of executive positions over a period of nine years, including President of Susquehanna Bank's Pennsylvania Division and Senior Credit Risk Officer. He received his MBA from Drexel University.

As an accomplished bank executive with over 30 years of experience, Mr. Montgomery brings to the Board an in depth knowledge of the banking industry.

Executive Officers Who Are Not Directors

Below is information regarding our executive officers who are not directors of the Company or the Bank. The individuals have held his or her current position for at least the last five years, unless otherwise stated. The age presented is as of December 31, 2022.

Jamie L. Prah, CPA. Mr. Prah, age 52, has been employed by the Company and the Bank since May 2019, and serves as Executive Vice President and Chief Financial Officer after previously serving as Executive Vice President and Chief Administrative Officer of the Company and the Bank. Previously, Mr. Prah served as Chief Executive Officer, from November 2015 until April 2019, and Senior Vice President, from May 2015 until November 2015, of Union Building and Loan Savings Bank. Mr. Prah also served as Interim Assistant Chief Financial Officer of the Bank from November 2014 until December 2014 to assist with certain transition matters related to the completion of the merger of FedFirst with the Company and the merger of First Federal Savings Bank, the wholly-owned subsidiary of FedFirst, with the Bank, both effective on October 31, 2014. Prior to the merger, Mr. Prah served as Senior Vice President and Chief Financial Officer of FedFirst and First Federal Savings Bank since 2011.

Jennifer L. George. Ms. George, age 50, has served as Senior Executive Vice President and Chief Operations Officer of the Bank since October 2021. Ms. George previously served as Executive Vice President and Chief Operations Officer from May 2019 until September 2021. Ms. George joined the Bank in October 2014 as part of the FedFirst merger and served as Senior Vice President of Retail, Human Resources and Compliance. Previously, Ms. George served as Senior Vice President and Chief Risk Officer and Vice President of Bank Operations with First Federal Savings Bank.

Item 2 — Ratification of the Appointment of the Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has appointed FORVIS, LLP ("FORVIS") to serve as the Company's independent registered public accounting firm for the 2023 fiscal year, subject to ratification by stockholders. A representative of FORVIS is expected to be present at the annual meeting to respond to appropriate questions from stockholders and will have the opportunity to make a statement should he desire to do so.

If the ratification of the appointment of the independent registered public accounting firm is not approved by a majority of the votes cast at the annual meeting, the Audit Committee may consider other independent registered public accounting firms.

The Board unanimously recommends that stockholders vote "FOR" the ratification of the appointment of FORVIS, LLP to serve as the Company's independent registered public accounting firm for the 2023 fiscal year.

Audit Fees. The following table sets forth the total fees billed by FORVIS for services performed for the 2022 fiscal year.

	Fiscal 2022	Fiscal 2021
Audit Fees (1)	$ 324,865	$ 207,440
Audit-Related Fees (2)	12,605	12,100
Tax Fees (3)	29,555	23,200
All Other Fees	—	—
Total Fees	$ 367,025	$ 242,740

(1) Includes professional services rendered for the audit of the Company's annual financial statements and review of financial statements included in Forms 10-Q, or services normally provided in connection with statutory and regulatory filings (i.e., attest services required by FDICIA), including out-of-pocket expenses.

(2) Includes professional services rendered in connection with the audit of the Company's employee benefit plan.

(3) Includes professional services rendered for the preparation of state and federal tax returns and tax consulting matters.

These services and related fees were communicated and approved in accordance with the Audit Committee's policies and applicable SEC and PCAOB rules.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Registered Public Accounting Firm. The Audit Committee has adopted a policy for approval of audit and permitted non-audit services by the Company's independent registered public accounting firm. The Audit Committee will consider annually and approve the provision of audit services by the independent registered public accounting firm and, if appropriate, approve the provision of certain defined audit and non-audit services. The Audit Committee also will consider on a case-by-case basis and, if appropriate, approve specific engagements.

Any proposed specific engagement may be presented to the Audit Committee for consideration at its next regular meeting or, if earlier consideration is required, to the Audit Committee or one or more of its members. The member or members to whom such authority is delegated shall report any specific approval of services at its next regular meeting. The Audit

Committee will regularly review summary reports detailing all services being provided to the Company by its independent registered public accounting firm.

During the fiscal year ended December 31, 2022, all audit-related fees, tax fees, and all other fees set forth in the table above were approved by the Audit Committee.

Item 3 – Advisory (Non-Binding) Vote to Approve the Compensation of Named Executive Officers

The federal securities laws require the Company to hold a stockholder advisory (non-binding) vote on the compensation of its named executive officers, as described in the tabular disclosure regarding named executive officer compensation and the accompanying narrative disclosure in this proxy statement. This proposal, commonly known as a "say-on-pay" proposal, gives the Company's stockholders the opportunity to endorse or not endorse the Company's executive compensation program and policies through a vote on the following resolution:

"Resolved, that the Company's stockholders approve, on an advisory basis, the compensation of the Company's named executive officers, as described in the tabular disclosure regarding named executive officer compensation and the accompanying narrative disclosure in this proxy statement."

Because the vote is advisory, it will not be binding upon the Company or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

The Board unanimously recommends a vote "FOR" approval of the compensation of the Company's named executive officers.

The federal securities laws also require the Company to obtain, at least once every six years, a stockholder vote on the frequency of a stockholder vote on the compensation of the named executive officers. At the Company's 2020 annual meeting of stockholders, the Board of Directors recommended, and the Company's stockholders voted in favor of, an annual advisory vote on the compensation of the named executive officers. The next stockholder vote on the frequency of a stockholder vote on the compensation of the named executive officers will occur no later than at the Company's 2026 annual meeting of stockholders.

EXECUTIVE COMPENSATION

Summary Compensation Table ("SCT"). The following information is furnished for the Principal Executive Officer ("PEO") of the Company or its subsidiaries and the two most highly-compensated executive officers (other than the principal executive officer) of the Company and its subsidiaries whose total compensation for the fiscal year ended December 31, 2022, exceeded $100,000. These individuals are sometimes referred to in this proxy statement as the "Named Executive Officers ("NEOs")."

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive Plan	Stock Awards (1)	Option Awards (1)	All Other Compensation (2)	Total
John H. Montgomery	2022	$ 435,000	$ —	$ 56,737	$ 65,625	$ 49,749	$ 44,697	$ 651,808
President & Chief Executive Officer	2021	420,000	—	133,109	—	—	51,891	605,000
Ralph Burchianti	2022	$ 296,230	$ —	$ 37,135	$ 34,125	$ 25,869	$ 25,717	$ 419,076
Senior Executive Vice President & Chief Credit Officer	2021	286,212	—	65,242	—	—	25,904	377,358
Jennifer L. George	2022	$ 243,361	$ —	$ 30,507	$ 28,875	$ 21,890	$ 30,479	$ 355,112
Senior Executive Vice President & Chief Operations Officer	2021	234,000	—	20,000	—	—	17,987	271,987

(1) These amounts represent the grant date fair value of the awards issued to the named executive officers under the 2021 Equity Incentive Plan, as determined in accordance with applicable accounting standards, based on the closing price of the Company's common stock on the grant date ($26.25 per share on February 16, 2022). Although the full grant date fair value of the stock awards and option awards are reflected in the above table, the actual value of the stock options, if any, realized by the named executive officers will depend on the extent to which the market value of the Company common stock exceeds the exercise price of the stock option on the date of exercise. Accordingly, there is no assurance that the option value realized by a named executive officer will be at or near the estimated value reflected in the above table.

(2) *The following table details the amounts reported in the "All Other Compensation" column for 2022. The table may exclude perquisites which did not exceed $10,000 in the aggregate for each named executive officer.*

	Mr. Montgomery	Mr. Burchianti	Ms. George
Employer contributions to 401(k) plan	$ 15,250	$ 15,250	$ 15,001
Employer insurance premiums	17,875	6,086	11,530
Company car	2,812	—	—
Cell phone	840	—	300
Cash in lieu of dividends on restricted stock awards	7,920	3,878	3,648
Imputed income on split dollar life insurance	—	503	—
Total Other Compensation	$ 44,697	$ 25,717	$ 30,479

Employment Agreements and Executive Consultant Agreement. The Bank has entered into employment agreements with Mr. Montgomery and Ms. George and an Executive Consultant Agreement with Mr. Burchianti (referred to below as the "executives" or "executive").

Employment Agreement with Mr. Montgomery. The employment agreement with Mr. Montgomery was entered into on August 31, 2020 in connection with his appointment as President and Chief Executive Officer of the Bank. The employment agreement has an initial term ending on April 30, 2023. On each anniversary date (which is defined as May 1 of each calendar year), the employment agreement will extend for one year such that the remaining term will be for 36 months thereafter, provided that disinterested members of the Bank's Board of Directors conduct a comprehensive performance evaluation of the executive and affirmatively approve of the extension. Mr. Montgomery's employment agreement provides for an annual base salary of $420,000, an annual target bonus opportunity of 20% of base salary, an annual equity award opportunity with a target grant date fair value equal to 20% of base salary, and an initial grant of 5,000 restricted stock awards and 15,000 stock option awards (the "Initial Equity Awards") that will vest ratably over a five-year period. In addition, Mr. Montgomery is entitled to participate in benefit plans that are made available by the Bank to management employees. Moreover, Mr. Montgomery is entitled to use of a company-purchased automobile and will be reimbursed for all operating expenses of the automobile.

In the event of Mr. Montgomery's involuntary termination without "cause" or voluntary resignation for "good reason" (as such terms are defined in the Employment Agreement and hereinafter referred to as a "qualifying termination event"), he would be entitled to:

- a cash lump sum payment equal to the base salary that he would have earned during the then-remaining term of the Employment Agreement or 12 months, whichever is greater, and
- 12 monthly COBRA premium reimbursement payments to the extent such COBRA coverage is elected.

If the qualifying termination event occurs on or after a change in control of the Company or the Bank, Mr. Montgomery would instead be entitled to:

- a cash lump sum payment equal to three times his highest rate of base salary for the calendar year of his date of termination or either of the prior three calendar years, and
- 18 monthly COBRA premium reimbursement payments to the extent COBRA coverage is elected.

Prior to the expiration of the term, either the Bank or Mr. Montgomery may terminate Mr. Montgomery's employment relationship for any reason (or no reason) by providing the other party with 30 days' advance written notice. Upon such event, the Bank's sole obligation under the employment agreement would be to pay any accrued but unearned compensation earned by Mr. Montgomery through the date of termination, provided, however that the Board may, at its sole discretion, pay Mr. Montgomery a bonus pursuant the Bank's bonus programs for which Mr. Montgomery is a participant.

Executive Consultant Agreement with Mr. Burchianti. Mr. Burchianti and Community Bank have entered into an Executive Consultant Agreement that supersedes and replaces his former employment agreement with Community Bank. Pursuant to the Executive Consultant Agreement, he will continue to serve as Senior Executive Vice President and Chief Credit Officer until his retirement date of April 30, 2024. During such period, he would continue to be paid his annual rate of base salary of $280,600.

Thereafter, he would serve as an executive consultant to Community Bank until April 30, 2025, during which time he would assist with transitioning his duties and responsibilities to his successor, serve as an ambassador to Community Bank, maintain customers and business relationships and assist in developing new business relationships. While serving as an executive consultant, he would be paid $5,000 per month and would be eligible to receive a bonus, if any, at the discretion of the Compensation Committee.

If Mr. Burchianti's employment is involuntarily terminated by Community Bank without cause before April 30, 2025, he would be entitled to the base pay he would have earned had he continued to remain employed until April 30, 2025, provided that he signs a release of all claims (other than claims for vested benefits under the benefit plans of Community Bank as of his date of termination) against Community Bank, the Company and their affiliates.

Employment Agreement with Ms. George. The employment agreement for Ms. George has a term that begins October 31, 2014 and continues 36 months after May 1, 2015. Ms. George's employment agreement was subsequently amended on January 1, 2022. On each anniversary date (which is defined as May 1 of each calendar year), the employment agreement will extend for one year such that the remaining term will be for 36 months thereafter, provided that disinterested members of the Bank's Board of Directors conduct a comprehensive performance evaluation of the executive and affirmatively approve the extension.

The employment agreement provides for an annual base salary rate of $235,000 for Ms. George. In addition to base salary, the executive is entitled to participate in bonus programs and benefit plans that are made available by the Bank to management employees.

The executive will be reimbursed for all reasonable business expenses incurred.

In the event of the executive's involuntary termination of employment for reasons other than cause, disability or death, or if the executive resigns during the term of the employment agreement for "good reason," The Bank will provide the executive with the following severance benefits:

- continued base salary payments (at the rate in effect as of the date of determination) for the greater of 12 months or the remaining term of the employment agreement, payable in accordance with regular payroll practices; and
- continued life insurance and non-taxable medical and dental coverage, which will end upon the earlier of the completion of the remaining term of the employment agreement or the date on which the executive receives substantially similar benefits from another employer.

For purposes of the employment agreement, "good reason" is defined as: (i) a material reduction in the executive's base salary or benefits (other than a reduction that is part of a good faith, overall reduction applicable to all employees); (ii) a material reduction in the executive's authorities, duties or responsibilities; or (iii) a material breach of the employment agreement by the Bank.

Upon the occurrence of the executive's termination for any reason (other than for cause) on or after the effective time of a change in control of the Company or the Bank, then in lieu of the severance benefits immediately above, the Bank or any successor will provide the executive with the following severance benefits:

- a benefit equal to three times the executive's highest annual rate of base salary earned during the calendar year of the executive's date of termination or either of the three calendar years immediately preceding the date of termination, payable in equal installments according to regular payroll practices; and
- continued life insurance and non-taxable medical and dental coverage until the earlier of: (i) three years after the executive's date of termination; or (ii) the date on which the executive receives substantially similar benefits from another employer.

Upon any termination of employment (except following a change in control), each executive is required to adhere to non-competition and non-solicitation covenants for one year.

Non-Equity Bonus Program. The Bank maintains a bonus program designed to align the interests of employees of the Bank with the overall performance of CB Financial and the Bank. Employees selected by the Board of Directors are eligible to participate in the bonus program unless specifically noted in an employment contract. Each employee's bonus amount is designated as a percentage of base salary and is determined based on the satisfaction of objective performance targets related to pre-tax income, nonperforming assets ratio, non-interest expense, and loan growth. Each factor of the bonus calculation is weighted. For 2022, pre-tax income accounted for 50% of the weighting, nonperforming assets and non-interest expense accounted for 15% each, and loan growth accounted for 20%. The bonus is based on the financial thresholds and targets established by the Compensation Committee and can range from 10-70% for the Chief Executive Officer and 10-50% for executives.

Split Dollar Agreements. The Bank has entered into split dollar life insurance agreements with each Messrs. Montgomery and Burchianti. Under each agreement, the executive's designated beneficiary will be entitled to share in the proceeds under a life insurance policy owned by the Bank on the life of the executive. The death benefit payable to Mr. Montgomery is $500,000 less the value of Mr. Montgomery's 5,000 shares of restricted stock and 15,000 stock options awarded under the 2015 Equity Incentive Plan on August 31, 2020 determined as of the date of death, provided, however, that the death proceeds will not exceed the "net death proceeds." The "net death proceeds" is defined as the total death proceeds of the Policy minus the greater of: (i) the cash surrender value or (ii) the aggregate premiums paid by the Bank related to the Policy. The death benefit payable to Mr. Burchianti is $200,000, provided, however that the death benefit must not exceed the executive's net-at-risk portion of the proceeds (which is the difference between the cash surrender value of the policy and the total proceeds payable under the policy upon the death of the insured). For Mr. Burchianti, if his termination occurs subsequent to a change in control of the

Bank, he will be 100% vested in his death benefit. The Bank is the sole beneficiary of any death proceeds remaining after the executive's death benefit has been paid to his designated beneficiary.

401(k) Plan. The Bank maintains the 401(k) Profit Sharing Plan, a tax-qualified defined contribution retirement plan (the "401(k) Plan"), for all employees who have satisfied the 401(k) Plan's eligibility requirements. Each eligible employee can begin participating in the 401(k) Plan on the first day of the calendar quarter following the attainment of age 18 and completion of three months of service.

A participant may contribute up to 100% of his or her compensation to the 401(k) Plan on a pre-tax or post-tax (referred to as a "Roth" contribution) basis, subject to the limitations imposed by the Internal Revenue Code. For 2022, the salary deferral contribution limit was $20,500 provided, however, that a participant over age 50 may contribute an additional $6,500 to the 401(k) Plan. Each plan year, the Bank makes a matching contribution, based on each participant's salary deferral contribution. The matching contribution formula is currently a 25% match of employee 401(k) Plan deferrals (if any) up to the first 4% of compensation deferred. In addition to salary deferral contributions, the 401(k) Plan provides that the Bank will make a safe harbor employer contribution to each eligible participant's account equal to 3% of the participant's compensation earned during the plan year (referred to as a "safe harbor contribution"). A participant is always 100% vested in his or her salary deferral and safe harbor contributions.In addition, for the 2022 plan year, the Bank made a discretionary profit sharing contribution to each eligible participant's account equal to 1%.

Each participant vests in his or her profit sharing contribution at a rate 20% per year such that the participant will become 100% vested upon the completion of five years of credited service. However, a participant will immediately become 100% vested in any profit sharing contributions upon the participant's death, disability or attainment of age 65 while employed with the Bank.

Generally, a participant (or participant's beneficiary upon death) may receive a distribution from his or her vested account at retirement, age 59½ (while employed with the Bank), death, disability or termination of employment, which is payable in a lump sum. Each participant has an individual account under the 401(k) Plan and may direct the investment of his or her account balance among a variety of investment options available under the plan.

2021 Equity Incentive Plan. At the 2021 annual meeting, the Company's stockholders approved the 2021 Equity Incentive Plan to provide officers, employees and directors of the Company and the Bank with additional incentives to promote the growth and performance of the Company. As a result of the adoption of the 2021 Equity Incentive Plan, no more awards will be granted under the 2015 Equity Incentive Plan.

Subject to permitted adjustments for certain corporate transactions, the maximum number of shares of Company common stock that may be delivered to participants under the 2021 Equity Incentive Plan is equal to 500,000 shares of Company common stock (the "Share Limit"). Shares of Company common stock subject to the Share Limit may be issued pursuant to grants of stock options, restricted stock awards or restricted stock units, provided, however that the Share Limit is reduced, on a one-for-one basis, for each share of common stock subject to a stock option grant, and on a two and one-half-for-one basis for each share of common stock issued pursuant to restricted stock awards or restricted stock unit awards. If any award granted under the 2021 Equity Incentive Plan expires, terminates, is canceled or is forfeited without being settled or exercised or is settled without the issuance of shares of common stock, shares of Company common stock subject to such award will be made available for future grant under the 2021 Equity Incentive Plan. If any shares are surrendered or tendered to pay the exercise price of a stock option, such shares will not again be available for grant under the 2021 Equity Incentive Plan. In addition, shares of common stock withheld in payment for purposes of satisfying tax withholding obligations with respect to an award do not become available for re-issuance under the 2021 Equity Incentive Plan.

Employees and directors of the Company and its subsidiaries are eligible to receive awards under the 2021 Equity Incentive Plan, except non-employee directors may not be granted incentive stock options. The 2021 Equity Incentive Plan will be administered by the members of the Compensation Committee. The Compensation Committee may grant any of these types of awards subject to performance-based vesting conditions. Such awards shall be referred to herein as "performance awards." As of December 31, 2022, 333,335 stock options and 133,334 shares of restricted stock remain available for award from the 2021 Equity Incentive Plan.

The Compensation Committee shall specify the vesting schedule or conditions of each award. Awards made under the 2021 Equity Plan are subject to a minimum vesting period of one year from the date of grant, provided, however, that the following awards would not be subject to the one year minimum vesting requirement: (1) substitute awards granted in connection with awards that are assumed, converted or substituted pursuant to a merger, acquisition or similar transaction; (2) awards to non-employee directors that vest on the earlier of the one-year anniversary of the date of grant or the next annual meeting of stockholders that is at least 50 weeks after the immediately preceding year's annual meeting; and (3) up to 5% of the available share reserve authorized for issuance under the 2021 Equity Incentive Plan.

Notwithstanding the foregoing, vesting (including the reduction or elimination of any restrictions) may be accelerated in the event of death, disability, or upon involuntary termination of employment or service following a change in control.

Outstanding Equity Awards. The following table sets forth information with respect to outstanding equity awards as of December 31, 2022, for the named executive officers. All equity awards reflected in this table were granted pursuant to the 2021 and 2015 Equity Incentive Plans.

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date**	**Number of Shares of Restricted Stock That Have Not Vested**	**Market Value of Shares of Restricted Stock That Have Not Vested [9]**
John H. Montgomery	—	9,000 [2]	$ 18.60	8/31/30	3,000 [2]	$ 64,290
					1,500 [5]	32,145
	—	10,000 [6]	26.25	02/16/32	2,500 [6]	53,575
Ralph Burchianti	2,500	—	22.25	12/16/25	120 [3]	2,572
	2,810	—	26.45	12/16/26	600 [4]	12,858
	2,624	656 [1]	30.75	12/15/27	1,200 [5]	25,716
	—	5,200 [6]	26.25	02/16/32	1,300 [6]	27,859
Jennifer L. George	7,500	—	22.25	12/16/25	100 [3]	2,143
	2,110	—	26.45	12/16/26	600 [4]	12,858
	1,690	338 [1]	30.75	12/15/27	1,200 [5]	25,716
	—	4,400 [6]	26.25	02/16/32	1,100 [6]	23,573

(1) Options vest in five equal installments, commencing on December 15, 2018.

(2) Options and restricted stock awards vest in five equal installments, commencing on August 31, 2021.

(3) Restricted stock awards vest in five equal installments, commencing on December 14, 2019.

(4) Restricted stock awards vest in five equal installments, commencing on December 14, 2020.

(5) Restricted stock awards vest in five equal installments, commencing on December 14, 2021.

(6) Options and restricted stock awards vest in five equal installments, commencing on February 16, 2023.

(7) Based on the $21.43 closing price of the Company's common stock on December 31, 2022.

OTHER INFORMATION RELATING TO DIRECTORS AND EXECUTIVE OFFICERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who own more than 10% of any registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. These individuals are required by regulation to furnish the Company with copies of all Section 16(a) reports they file. Based solely on its review of the copies of the reports it has received and written representations provided to it from the individuals required to file the reports, the Company believes that each of its executive officers and directors has complied with applicable reporting requirements for transactions in the Company's common stock during the fiscal year ended December 31, 2022.

Transactions with Related Persons

Loans and Extensions of Credit. Federal law generally prohibits the Company from making loans to its executive officers and directors. However, there is a specific exemption from such prohibition for loans made by the Bank to its executive officers and directors in compliance with federal banking regulations. Federal banking regulations generally require that all loans or extensions of credit to executive officers and directors of insured institutions must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and must not involve more than the normal risk of repayment or present other unfavorable features. However, federal regulations allow financial institutions, such as the Bank, to make loans to executive officers and directors at reduced interest rates if the loans are made under a benefit program that is generally available to all other employees and that does not give preference to any executive officer or director over any other employee.

In addition, loans made to a director or executive officer in an amount that, when aggregated with the amount of all other loans to the person and his or her related interests, are in excess of the greater of $25,000 or 5% of the Bank's capital and surplus, up to a maximum of $500,000, must be approved in advance by a majority of the disinterested members of the Bank's Board of Directors.

The outstanding balance of loans extended by the Bank to its executive officers and directors and related parties was $17.4 million at December 31, 2022. Such loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Bank, and did not involve more than the normal risk of collectability or present other unfavorable features when made.

Other Transactions. Since January 1, 2022, there have been no transactions and there are no currently proposed transactions in which the Company or the Bank were or are to be a participant and the amount involved exceeds $120,000, and in which any of the Company's executive officers and directors had or will have a direct or indirect material interest.

Pay Versus Performance

Pay Versus Performance ("PvP"). The SEC adopted amendments to its rules in August 2022 requiring companies to disclose information reflecting the correlation between executive compensation actually paid by a company and the company's financial performance. The following table lists executive compensation actually paid to John H. Montgomery, the Company's PEO, and Ralph Burchianti and Jennifer L. George, the Company's Non-PEO NEOs, and total shareholder return ("TSR") and net income for the Company's two most recent fiscal years ended December 31, 2022 and 2021.

Year	SCT Total for PEO	Compensation Actually Paid to PEO	Average Summary Compensation Table Total for Non-PEO NEOs [(1)]	Average Compensation Actually Paid to Non-PEO NEOs	Value of Initial Fixed $100 Investment Based on Total Shareholder Return [(2)]	Net Income [(3)]
2022	$ 651,808	$ 605,669	$ 387,094	$ 366,173	$ 116.69	$ 11,247,000
2021	605,000	671,333	324,673	341,798	125.09	11,570,000

(1) The Average SCT Table Total for Non-PEO NEOs consist of compensation for Mr. Burchianti and Ms. George for each year presented.

(2) The total shareholder return ("TSR") is calculated by taking the difference of the Company's stock price from the beginning of the measurement period, December 31, 2020 at $20.01, and the ending of the measurement periods of December 31, 2021 and 2022 at $24.07 and $21.43, respectively. Then adding total measurement period dividends of $0.96 for each of the years ended December 31, 2021 and 2022, dividing by the end of measurement period stock price.

(3) The Company's Net Income as reported on the Consolidated Statements of Income as filed in the Annual Report on Form 10-K on March 10, 2023.

The table below reconciles the SCT to the PvP table above.

	PEO		Average Non-PEO NEOs	
	2022	2021	2022	2021
SCT Total	$ 651,808	$ 605,000	$ 387,094	$ 324,673
Less: Fiscal Year Equity Awards Grant Date Fair Value	115,374	—	55,380	—
Add: Change in Fair Value of Outstanding and Unvested Stock Awards Granted in Prior and Fiscal Years	(13,369)	53,066	(5,042)	11,910
Fair Value of Equity Compensation Granted in Current Year at Year-End	87,060	—	41,789	—
Change in Fair Value from End of Prior Fiscal Year to Vesting Date for Awards Made in Prior Fiscal Years that Vested During Current Fiscal Year	(4,456)	13,267	(2,288)	5,215
Compensation Actually Paid	$ 605,669	$ 671,333	$ 366,173	$ 341,798

Fair value was calculated in accordance with the Company's methodology used for financial reporting purposes.

TSR value represents the Company's TSR based on an initial $100 investment on December 31, 2020, assuming the reinvestment of dividends.

Net income is calculated in accordance with GAAP and reflects the amounts reported in the Company's Annual Report on Form 10-K for the applicable year.

Relationship between CAP to our PEO, and the Average of the CAP to our Other Non-PEO NEOs, and the Company's Cumulative TSR. For 2021 to 2022, the CAP to our PEO decreased by 9.78% , and the average of the CAP to the other Non-PEO NEOs increased by 7.13%, compared to a 6.71% decrease in our TSR over the same time period.

Relationship between CAP to our PEO, and the Average of the CAP to our Other Non-PEO NEOs, and the Company's Net Income. For 2021 to 2022, the CAP to our PEO decreased by 9.78%, and the average of the CAP to the other Non-PEO NEOs increased by 7.13%, compared to a 2.79% decrease in the Company's Net Income over the same time period.

SUBMISSION OF BUSINESS PROPOSALS AND STOCKHOLDER NOMINATIONS

The Company must receive proposals that stockholders seek to include in the proxy statement for the Company's next annual meeting no later than December 8, 2023. If next year's annual meeting is held on a date that is more than 30 calendar days from May 17, 2024, a stockholder proposal must be received by a reasonable time before the Company begins to print and mail its proxy solicitation materials for such annual meeting. Any stockholder proposals will be subject to the requirements of the proxy rules adopted by the SEC.

Under SEC Rule 14a-19, a stockholder intending to engage in a director election contest with respect to the annual meeting of stockholders to be held in 2024 must give the Company notice of its intent to solicit proxies by providing the names of its nominees and certain other information at least 60 calendar days before the anniversary of the previous year's annual meeting of stockholders, or by March 18, 2024.

In addition to the requirement set forth under SEC Rule 14a-19, the Company's Articles of Incorporation provide that, in order for a stockholder to make nominations for the election of directors and/or proposals for business to be brought before the annual meeting, a stockholder must deliver written notice of such nominations and/or proposal to the Company's Secretary not less than 60 days before the anniversary date of the immediately preceding annual meeting. A copy of the Articles of Incorporation may be obtained from the Company.

STOCKHOLDER COMMUNICATIONS

The Company encourages stockholder communications to the Board and/or individual directors. All communications from stockholders should be addressed to CB Financial Services, Inc., 100 North Market Street, Carmichaels, Pennsylvania 15320. Communications to the Board should be sent to the attention of Elizabeth A. Calvario, Corporate Secretary. Communications to individual directors should be sent to such director at the Company's address. Stockholders who wish to communicate with a committee of the Board should send their communications to the attention of the Chairman of the particular committee. It is in the discretion of the Nominating/Corporate Governance Committee as to whether a communication sent to the full Board should be brought before the full Board.

MISCELLANEOUS

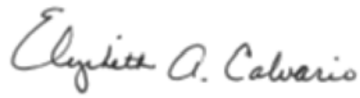
The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company. Additionally, directors, officers and other employees of the Company may solicit proxies personally or by telephone. They will not receive additional compensation for these solicitation activities.

The Company's Annual Report on Form 10-K accompanies this proxy statement. Any stockholder who has not received a copy of the Annual Report on Form 10-K may obtain a copy by writing to the Corporate Secretary of the Company. The Annual Report is not to be treated as part of the proxy solicitation material or as having been incorporated by reference into this proxy statement.

If you and others who share your address own your shares in "street name," your broker or other holder of record may be sending only one annual report and proxy statement to your address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a stockholder residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she should contact the broker or other holder of record. If you own your shares in "street name" and are receiving multiple copies of our annual report and proxy statement, you can request householding by contacting your broker or other holder of record.

Whether or not you plan to attend the annual meeting, please vote by marking, signing, dating and promptly returning the enclosed proxy card in the enclosed envelope, or by voting via the Internet or by telephone.

By Order of the Board of Directors,



Elizabeth A. Calvario
Corporate Secretary

Carmichaels, Pennsylvania
April 6, 2023

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number: **001-36706**

cb Financial Services, Inc.

CB FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**51-0534721**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
100 North Market Street, Carmichaels, Pennsylvania	**15320**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(724) 966-5041**

Securities registered pursuant to Section 12(b) of the Act:

Common stock, par value $0.4167 per share	**CBFV**	**The Nasdaq Stock Market, LLC**
(Title of each class)	(Trading symbol)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated Filer ☐
Non-accelerated Filer ☒	Smaller reporting company ☒
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the last sale price on June 30, 2022, as reported by the Nasdaq Global Market, was approximately $113.6 million.

As of March 7, 2023, the number of shares outstanding of the Registrant's Common Stock was 5,121,413.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the 2023 Annual Meeting of Stockholders of the Registrant (Part III)

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PART I

This Annual Report on Form 10-K ("Report") contains forward-looking statements within the meaning of Sections 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "contemplate," "continue," "target" and words of similar meaning. These forward-looking statements include, but are not limited to statements of our goals, intentions and expectations; statements regarding our business plans, prospects, growth and operating strategies;statements regarding the asset quality of our loan and investment portfolios; and estimates of our risks and future costs and benefits. These forward-looking statements are based on our current beliefs and expectations, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this Report. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- *our ability to manage our operations under the current economic conditions nationally and in our market area, including the scope and duration of the COVID-19 pandemic ("COVID-19"), the outbreak of its variants, and its effects on the Company's business and that of the Company's customers;*
- *government action in response to COVID-19 and its effects on the Company's business and that of the Company's customers;*
- *adverse changes in the financial industry, securities, credit, and national and local real estate markets (including real estate values);*
- *changes in consumer spending, borrowing and savings habits;*
- *changes in interest rates generally, including changes in the relative differences between short-term and long-term interest rates and in deposit interest rates, that may affect our net interest margin and funding sources;*
- *declines in the yield on our interest-earning assets resulting from the current low interest rate environment;*
- *significant increases in our loan losses, including our inability to resolve classified and nonperforming assets or reduce risks associated with our loans, and management's assumptions in determining the adequacy of the allowance for loan losses;*
- *credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and in our allowance for loan losses and provision for loan losses;*
- *loan delinquencies and changes in the underlying cash flows of our borrowers;*
- *our success in increasing our commercial real estate and commercial business lending;*
- *our ability to maintain/improve our asset quality even as we increase our commercial real estate and commercial business lending;*
- *risks related to a high concentration of loans secured by real estate located in our market area;*
- *fluctuations in the demand for loans;*
- *competitive products and pricing among depository and other financial institutions;*
- *our ability to enter new markets successfully and capitalize on growth opportunities;*
- *our ability to successfully integrate the operations of businesses we have acquired;*
- *our ability to attract and maintain deposits and our success in introducing new financial products;*
- *changes in our compensation and benefit plans, and our ability to attract and retain key members of our senior management team and to address staffing needs in response to product demand or to implement our strategic plans;*
- *our ability to control costs and expenses, particularly those associated with operating as a publicly traded company;*
- *technological changes that may be more difficult or expensive than expected;*
- *the failure or security breaches of computer systems on which we depend;*
- *the ability of preventing or detecting cybersecurity attacks on customer credentials, developing multiple layers of security controls that defend against malicious use of customer internet-based products and services of Community Bank, and our business continuity plan to recover from a malware or other cybersecurity attack;*
- *the ability of key third-party service providers to perform their obligations to us; and*

- *changes in laws or government regulations or policies affecting financial institutions, which could result in, among other things, increased deposit insurance premiums and assessments, capital requirements, regulatory fees and compliance costs, and the resources we have available to address such changes;*
- *changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;*
- *exploration and drilling of natural gas reserves in our market area may be affected by federal, state and local laws and regulations affecting production, permitting, environmental protection and other matters, which could materially and adversely affect our customers, loan and deposit volume, and asset quality;*
- *our customers who depend on the exploration and drilling of natural gas reserves may be materially and adversely affected by decreases in the market prices for natural gas;*
- *other economic, competitive, governmental, regulatory and operational factors affecting our operations, pricing, products and services described elsewhere in this Report.*

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the expected results indicated by these forward-looking statements.

In this Report, the terms "we," "our," and "us" refer to CB Financial Services, Inc., and Community Bank, unless the context indicates another meaning. In addition, we sometimes refer to CB Financial Services, Inc., as "CB," or the "Company" and to Community Bank as the "Bank."

ITEM 1. BUSINESS

CB Financial Services, Inc.

CB Financial Services, Inc. (the "Company"), a Pennsylvania corporation, is a bank holding company headquartered in Carmichaels, Pennsylvania. The Company's common stock is traded on the Nasdaq Global Market under the symbol "CBFV." The Company conducts its operations primarily through its wholly owned subsidiary, Community Bank, a Pennsylvania-chartered commercial bank. At December 31, 2022, the Company, on a consolidated basis, had total assets of $1.41 billion, total liabilities of $1.30 billion and stockholders' equity of $110.2 million.

Copies of the Company's reports, proxy and information statements, and other information filed electronically with the Securities and Exchange Commission (the "SEC") are available free of charge through the SEC's website address at *https://www.sec.gov* and through the Bank's website address at *https://www.communitybank.tv*.

Community Bank

Community Bank is a Pennsylvania-chartered commercial bank headquartered in Carmichaels, Pennsylvania. After the consolidation of one branch in 2022 and the consolidation and sale of eight branches in 2021, the Bank reduced the total number of branches to 13 and operates from 10 offices in Greene, Allegheny, Washington, Fayette and Westmoreland Counties in southwestern Pennsylvania and three offices in Marshall and Ohio Counties in West Virginia. The Bank also has one loan production office in Allegheny County, a corporate center in Washington County and an operations center in Greene County in Pennsylvania. The Bank is a community-oriented institution offering residential and commercial real estate loans, commercial and industrial loans, and consumer loans as well as a variety of deposit products for individuals and businesses in its market area.

The Bank is the sole shareholder of Exchange Underwriters, Inc. ("Exchange Underwriters" or "EU"), a wholly-owned subsidiary located in Washington County that is a full-service, independent insurance agency that offers property and casualty, commercial liability, surety and other insurance products. Exchange Underwriters' independent insurance agents shop from over 50 of the nation's leading insurance providers to find the policy that fits their client's needs.

The Bank was originally chartered in 1901 as The First National Bank of Carmichaels. In 1987, the Bank changed its name to Community Bank, National Association. In December 2006, the Bank completed a charter conversion from a national bank to a Pennsylvania-chartered commercial bank wholly-owned by the Company. The Bank is a member of the Federal Home Loan Bank ("FHLB") System. Our deposits are insured by the Federal Deposit Insurance Corporation ("FDIC").

Our principal executive office is located at 100 North Market Street, Carmichaels, Pennsylvania, and our telephone number at that address is (724) 966-5041. Our website address is *https://www.communitybank.tv*. Information on this website is not and should not be considered to be a part of this Report.

Branch Optimization and Operational Efficiency Initiative

In 2021, the Company announced the implementation of branch optimization and operational efficiency strategic initiatives to improve the Bank's financial performance and operations in order to position the Bank for continued profitable growth through the optimization of its branch network while expanding technology and infrastructure investments in its remaining locations. The decision was the result of a comprehensive internal study that measured branch performance by comparing financial and non-financial indicators to growth opportunities, while evolving changes in consumer preferences, largely driven by the global pandemic, led to an acceleration of branch optimization efforts. The Bank also completed a comprehensive review of its branch network and operating environment to identify solutions to improve operating performance. This review prioritized profitability, efficiency, infrastructure and client experience improvements, automation in operations, and digital marketing and technology investments and the Bank is in process of implementing operational efficiencies related to individualized processes within its branch network and operating environment.

The Bank has substantially completed these initiatives through the consolidation of six branches that was completed on June 30, 2021. In addition, CB Financial, Community Bank, and Citizens Bank of West Virginia, Inc. ("Citizens Bank") executed a Purchase and Assumption Agreement (the "Agreement") pursuant to which Citizens Bank agreed to purchase certain loans and other assets, and assume certain deposits and other liabilities, of the branch offices of Community Bank located in Buckhannon, West Virginia, and New Martinsville, West Virginia. The divestiture of two branches in December 2021 resulted in the sale of $102.8 million of deposits, $6.1 million of loans and $795,000 of premises and equipment and the recognition of a $5.2 million pre-tax gain on sale from a 5.0% premium paid by Citizens Bank on the assumed deposits. The branch optimization initiative reduced the Bank's branch network to 14 branches.

Past Mergers

Effective October 31, 2014, the Company completed a merger with FedFirst Financial Corporation ("FedFirst"), the holding company for First Federal Savings Bank ("FFSB"), a federally chartered stock savings bank. As part of the merger, the

Company also acquired FFSB's subsidiary, Exchange Underwriters. The merger expanded the Company’s reach into Fayette and Westmoreland counties in southwestern Pennsylvania.

Effective April 30, 2018, the Company completed its merger with First West Virginia Bancorp (“FWVB”), the holding company for Progressive Bank, N.A. (“PB”), a national association. The FWVB merger enhanced the Bank’s exposure into the core of the Tri-State region with the addition of branches in West Virginia and Eastern Ohio.

Effective August 1, 2018, Exchange Underwriters merged with Beynon Insurance Agency to become one of the largest insurance agencies in the Pittsburgh region. The merger brought together two long-standing, locally owned and operated Southwestern Pennsylvania independent insurance agencies both built upon the same values and culture of serving their customers.

Business Strategy

We intend to operate as a well-capitalized and profitable community bank dedicated to providing exceptional personal service to our customers. We believe that we have a competitive advantage in the markets we serve because of our knowledge of the local marketplace and our long-standing history of providing superior, relationship-based customer service. We will continue to grow and create value for our stockholders. Our employees will be treated fairly and given opportunities for personal growth. We will be closely involved in improving our communities. Our business strategies emphasize building on core strengths and are discussed below.

- **Create a sales and service culture to build full relationships with our customers and utilize technology investments to enhance speed of process to improve our customer experience.** We have successfully grown valuable core deposits (demand deposits, NOW accounts, money market accounts and savings accounts) that represent longer-term customer relationships and provide a lower cost of funding compared to certificates of deposit and borrowings. Empowering our experienced, high quality employees to provide superior customer service in all aspects of our business which is further supported by the use of technology and a wide array of modern financial products can lead to stronger customer relationships, enhance fee revenue and allow the Bank to be the bank of choice across our footprint for residents and small and medium sized businesses.
- **Evolve toward more electronic/digital products and processes driving greater efficiency and expand our brand awareness in our market.** We intend to focus on building our mobile and online capabilities through an improved mobile banking platform and product offering, omnichannel experience that is consistent with quick results and interactive alerts.
- **Enhance profitability and efficiency while continuing to invest for future growth.** Margin compression continues to be a challenge. To combat this impact on core earnings, we view cost reduction as a key part of a company-wide efficiency effort. Short-term targeted cost reductions combined with long-term strategic initiatives will better position the Company for high performance. In addition, this strategy aligns with our efforts to simplify processes while utilizing technology to improve efficiency and build capabilities that supports future growth and high performance.
- **Continue our track record of opportunistic growth in the robust Pittsburgh metropolitan area and across our footprint.** We believe we have competed effectively by leveraging our branch network and a full assortment of banking products to facilitate deposit and loan growth in our core locations, including southwestern Pennsylvania, Ohio River Valley, and central West Virginia.
- **Leverage our credit culture and strong loan underwriting to uphold our asset quality metrics.** We have sought to maintain a high level of asset quality and moderate credit risk by using underwriting standards that we believe are conservative. Although we intend to continue our efforts to originate commercial real estate and commercial and industrial loans, we intend to continue our philosophy of managing loan exposures through our conservative, yet reasonable, approach to lending.
- **Increase fee and other non-interest income, primarily through our insurance operations, as well as mortgage banking and small business lending.** Fee income earned through our insurance agency, Exchange Underwriters, supplements our income from banking operations. We intend to pursue opportunities to grow this line of business, including hiring insurance producers with established books of business and through acquisitions.

Human Capital

The Bank's culture is defined by our mission to partner with individuals, businesses, and communities to realize their dreams, protect their financial futures and improve their lives. Our Motto and Cornerstone are “Client Experience First”. To have a truly great client experience we must have a phenomenal employee experience. Our Team members need to have the tools, training, processes, and leadership to support their delivery of a truly exceptional client experience. Improving our operational efficiency empowers our employees to work smarter and enables us to be more responsive to our clients.

We value our employees by investing in a healthy work-life balance, competitive compensation and benefit packages and a vibrant, team-oriented environment centered on professional service and open communication. We strive to build and maintain a high-performing culture and be an “employer of choice” by creating a work environment that attracts and retains outstanding, engaged employees. The success of our business is highly dependent on our employees, who provide value to our clients and communities through their dedication to helping clients achieve the American dream of home ownership and financial security.

Demographics. As of December 31, 2022, we employed 184 full-time and 3 part-time employees in Pennsylvania and West Virginia. None of these employees are represented by a collective bargaining agreement. During 2022, we hired 55 employees and our voluntary turnover rate was 29%.

Diversity and Inclusion. We strive toward having a powerful and diverse team of employees, knowing we are better together with our combined wisdom and intellect. With a commitment to equality, inclusion, and workplace diversity, we focus on understanding, accepting, and valuing the differences between people. We continued our commitment to equal employment opportunity through a robust affirmative action plan which includes annual compensation analyses and ongoing reviews of our selection and hiring practices alongside a continued focus on building and maintaining a diverse workforce.

Compensation and Benefits. We provide a competitive compensation and benefits program to help meet the needs of our employees. In addition to salaries, these programs include opportunity for annual bonuses, a 401(k) Plan with an employer matching contribution in addition to an employer annual contribution, an equity incentive plan, healthcare and insurance benefits, health savings accounts, paid time off, paid leave and an employee assistance program.

Learning and Development. We invest in the growth and development of our employees by providing a multi-dimensional approach to learning that empowers, intellectually grows, and professionally develops our colleagues. Our employees receive continuing education courses that are relevant to the banking industry and their job function within the Company. In addition, we have created learning paths for specific positions that are designed to encourage an employee’s advancement and growth within our organization. We support and encourage managers to hire from within. We also offer a peer mentor program, leadership, and customer service training. These resources provide employees with the skills they need to achieve their career goals, build management skills, and become leaders within our Company.

The safety, health and wellness of our employees is a top priority. The COVID-19 pandemic continued to present a unique challenge with regard to maintaining employee safety while continuing successful operations. While management transitioned the majority of our staff back to our locations in early July 2021, some flexible work arrangements continue. Our staff continues to follow the safety protocol developed by management. We further promote the health and wellness of our employees by strongly encouraging work-life balance, offering flexible work schedules, keeping the employee portion of health care premiums to a minimum and sponsoring various wellness programs.

Market Area

The Company’s southwestern Pennsylvania market area consists of Allegheny, Fayette, Greene, Washington and Westmoreland Counties. Greene County is a significantly more rural county compared to the counties in which we have our other branches. Our offices located in Allegheny, Washington, Fayette, and Westmoreland Counties are in the southern suburban area of metropolitan Pittsburgh. Our branches from the FWVB merger extend the Company’s market area into West Virginia with three offices in Marshall and Ohio Counties.

The following table sets forth certain economic statistics for our market area.

	Population (1)	Unemployment Rate (%) (2)	Average Annual Wage (3)
Pennsylvania	12,972,008	3.5	$ 65,104
Allegheny	1,238,090	3.4	71,552
Fayette	126,931	5.3	46,748
Greene	35,369	4.2	59,852
Washington	209,470	3.6	60,112
Westmoreland	353,057	3.7	52,052
West Virginia	1,775,156	3.4	52,676
Marshall	30,115	4.4	62,712
Ohio	41,776	3.3	50,232

(1) Based on the latest data published by the U.S. Census Bureau (State - July 2022; County - July 2021)

(2) Based on the latest data published by the U.S. Bureau of Labor Statistics (December 2022)

(3) Based on the latest data published by the U.S. Bureau of Labor Statistics (Second Quarter 2022)

The market area has been impacted by the energy industry through the extraction of untapped natural gas reserves in the Marcellus Shale and Utica Shale Formation. The Utica Shale formation lies beneath most of Ohio, West Virginia, Pennsylvania and New York, as well as Kentucky, Maryland, Tennessee, Virginia and a part of Canada. The Marcellus Shale Formation extends throughout much of the Appalachian Basin and most of Pennsylvania, West Virginia and Eastern Ohio. Both formations are located near high-demand markets along the East Coast. The proximity to these markets makes it an attractive target for energy development and has resulted in significant job creation through the development of gas wells and transportation of gas.

Competition

We encounter significant competition both in attracting deposits and in originating real estate and other loans. Our most direct competition for deposits historically has come from other commercial banks, savings banks, savings associations and credit unions in our market area, and we expect continued strong competition from such financial institutions in the foreseeable future. The Company faces additional competition for deposits from online financial institutions and non-depository competitors, such as the mutual fund industry, securities and brokerage firms, and insurance companies. We compete for deposits by offering depositors a high level of personal service and expertise together with a wide range of financial services. Our deposit sources are primarily concentrated in the communities surrounding our branch offices. As of June 30, 2022, our FDIC-insured deposit market share in the counties we serve was 0.56% out of 48 bank and thrift institutions. Our FDIC-insured deposit market share in the counties we serve, excluding Allegheny County, which is the second most populous county in Pennsylvania, but where the Bank's has limited presence with one branch, was 4.98% out of 32 bank and thrift institutions. Such data does not reflect deposits held by credit unions.

The competition for real estate and other loans comes principally from other commercial banks, mortgage banking companies, government-sponsored entities, savings banks and savings associations. This competition for loans has increased substantially in recent years. We compete for loans primarily through the interest rates, prepayment penalties, and loan fees we charge and the efficiency and quality of services we provide to borrowers. Factors that affect competition include general and local economic conditions, current interest rate levels and the volatility of the mortgage markets.

Lending Activities

General. Our principal lending activity has been the origination in our local market area of residential one- to four-family, commercial real estate, construction, commercial and industrial, and consumer loans. At December 31, 2022, our total loans receivable, which excludes the allowance for loan losses, increased $29.1 million, or 2.8%, to $1.05 billion compared to $1.02 billion at December 31, 2021.

Residential Real Estate Loans. Residential real estate loans are comprised of loans secured by one- to four-family residential properties. Included in residential real estate loans are traditional one- to four-family mortgage loans, home equity installment loans, and home equity lines of credit. We generate loans through our marketing efforts, existing customers and referrals, real estate brokers, builders and local businesses. At December 31, 2022, $330.7 million, or 31.5%, of our total loan portfolio was invested in residential loans.

*One- to Four-Family Mortgage Loans***.** One of our primary lending activities is the origination of fixed-rate, one- to four-family, owner-occupied, residential mortgage loans with terms up to 30 years secured by property located in our market area. At December 31, 2022, one- to four-family mortgage loans totaled $259.9 million. Our one- to four-family residential mortgage loans are generally conforming loans, underwritten according to secondary market guidelines. We generally originate mortgage loans in amounts up to the maximum conforming loan limits established by the Federal Housing Finance Agency, which, for 2022, is typically $647,200 for single-family homes, except in certain high-cost areas in the United States. Our mortgage loans amortize monthly with principal and interest due each month. These loans often remain outstanding for significantly shorter periods than their contractual terms because borrowers may refinance or prepay loans at their option without a prepayment penalty.

When underwriting one- to four-family mortgage loans, we review and verify each loan applicant’s income and credit history. Management believes that stability of income and past credit history are integral parts in the underwriting process. Written appraisals are generally required on real estate property offered to secure an applicant’s loan. We generally limit the loan-to-value ratios of one- to four-family residential mortgage loans to 80% of the purchase price or appraised value of the property, whichever is less. For one- to four-family real estate loans with loan-to-value ratios of over 80%, we generally require private mortgage insurance. We require fire and casualty insurance on all properties securing real estate loans. We require title insurance, or an attorney’s title opinion, as circumstances warrant.

Our one- to four-family mortgage loans customarily include due-on-sale clauses, which give us the right to declare a loan immediately due and payable in the event, among other things, that the borrower sells or otherwise disposes of the underlying real property serving as collateral for the loan.

Fixed-rate one- to four-family residential mortgage loans with terms of 15 years or more are originated for resale to the secondary market. During the years ended December 31, 2022 and 2021, we originated none and $12.6 million of fixed-rate residential mortgage loans, respectively, which were subsequently sold in the secondary mortgage market.

The origination of fixed-rate mortgage loans versus adjustable-rate mortgage loans is monitored on an ongoing basis and is affected significantly by the level of market interest rates, customer preference, our interest rate risk position and our competitors' loan products. Adjustable-rate mortgage loans secured by one- to four-family residential real estate totaled $46.7 million at December 31, 2022. Adjustable-rate mortgage loans make our loan portfolio more interest rate sensitive. However, as the interest income earned on adjustable-rate mortgage loans varies with prevailing interest rates, such loans do not offer predictable cash flows in the same manner as long-term, fixed-rate loans. Adjustable-rate mortgage loans carry increased credit risk associated with potentially higher monthly payments by borrowers as general market interest rates increase. It is possible that during periods of rising interest rates that the risk of delinquencies and defaults on adjustable-rate mortgage loans may increase due to the upward adjustment of interest costs to the borrower, resulting in increased loan losses.

We do not offer an "interest only" mortgage loan product on one- to four-family residential properties (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan). We also do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not offer a "subprime loan" program (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (traditionally defined as loans having less than full documentation). We may originate loans to consumers with a credit score below 660. This may be defined as subprime loans, however there are typically mitigating circumstances that according to FDIC guidance and our opinion would not designate such loans as "subprime."

Home Equity Loans. At December 31, 2022, home equity loans totaled $57.5 million. Our home equity loans and lines of credit are generally secured by the borrower's principal residence. The maximum amount of a home equity loan or line of credit is generally 85% of the appraised value of a borrower's real estate collateral less the amount of any prior mortgages or related liabilities. Home equity loans and lines of credit are approved with both fixed and adjustable interest rates, which we determine based upon market conditions. Such loans are fully amortized over the life of the loan. Generally, the maximum term for home equity loans is 20 years.

Our underwriting standards for home equity loans include a determination of the applicant's credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan. The stability of the applicant's monthly income may be determined by verification of gross monthly income from primary employment, and additionally from any verifiable secondary income. We also consider the length of employment with the borrower's present employer. Creditworthiness of the applicant is of primary consideration; however, the underwriting process also includes a comparison of the value of the collateral in relation to the proposed loan amount.

We primarily originate home equity loans secured by first lien mortgages. Home equity loans in a junior lien position totaled $2.6 million at December 31, 2022 and entail greater risks than one- to four-family residential mortgage loans or home equity loans secured by first lien mortgages. In such cases, collateral repossessed after a default may not provide an adequate source of repayment of the outstanding loan balance because of damage or depreciation in the value of the property or loss of equity to the first lien position. Further, home equity loan payments are dependent on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Finally, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans in the event of a default.

Commercial Real Estate Loans. We originate commercial real estate loans that are secured primarily by improved properties, such as retail facilities, office buildings and other non-residential buildings as well as multifamily properties. At December 31, 2022, $436.8 million, or 41.6% of our total loan portfolio, consisted of commercial real estate loans.

Our commercial real estate loans generally have adjustable interest rates with terms of up to 15 years and amortization periods up to 25 years. The adjustable rate loans are typically fixed for the first five years and adjust every five years thereafter. The maximum loan-to-value ratio of our commercial real estate loans is generally 75% to 80% of the lower of cost or appraised value of the property securing the loan.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including project-level and global cash flows and debt service coverage, credit history and management expertise, as well as the value and condition of the property, securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with the Bank and other financial institutions. In evaluating the property securing the loan, the factors considered include the net operating income of the mortgaged property before debt service and depreciation, and the ratio of the loan amount to the appraised value of the property. We generally will not lend to high volatility commercial real estate projects. All commercial real estate loans are appraised by outside independent state certified general appraisers. Personal guarantees are generally obtained from the principals of commercial real estate loan borrowers, although this requirement may be waived in limited circumstances depending upon the loan-to-value ratio and the debt-service ratio associated with the loan. The Bank requires property and casualty insurance and flood insurance if the property is in a flood zone area.

We underwrite commercial real estate loan participations to the same standards as loans originated by us. In addition, we consider the financial strength and reputation of the lead lender. We require the lead lender to provide a full closing package as well as annual financial statements for the borrower and related entities so that we can conduct an annual loan review for all loan participations. Loans secured by commercial real estate generally involve a greater degree of credit risk than residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the effects of general economic conditions on income producing properties and the successful operation or management of the properties securing the loans. Furthermore, the repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related business and real estate property. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

Commercial real estate loans generally have higher credit risks compared to one- to four-family residential mortgage loans, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, payment experience on loans secured by income-producing properties typically depends on the successful operation of the related real estate project, and this may be subject, to a greater extent, to adverse conditions in the real estate market and in the general economy.

Construction Loans. We originate construction loans to individuals to finance the construction of residential dwellings and also originate loans for the construction of commercial properties, including hotels, apartment buildings, housing developments, and owner-occupied properties used for businesses. At December 31, 2022, $44.9 million, or 4.3% of our total loan portfolio, consisted of construction loans. Our construction loans generally provide for the payment of interest only during the construction phase, which is usually 12 to 18 months. At the end of the construction phase, the loan generally converts to a permanent residential or commercial mortgage loan. Loans generally can be made with a maximum loan-to-value ratio of 80% on both residential and commercial construction. Before making a commitment to fund a construction loan, we require a pro forma appraisal of the property, as completed by an independent licensed appraiser. We also will require an inspection of the property before disbursement of funds during the term of the construction loan. We typically do not lend to developers unless they maintain a 15% cash equity position in the project.

Commercial and Industrial Loans. We originate commercial and industrial loans and lines of credit to borrowers located in our market area that are generally secured by collateral other than real estate, such as equipment, accounts receivable, inventory, and other business assets. At December 31, 2022, $70.0 million, or 6.7% of our total loan portfolio, consisted of commercial and industrial loans, of which $126,000 are SBA guaranteed Payroll Protection Program ("PPP") loans.

Exclusive of PPP loans, commercial and industrial loans generally have terms of maturity from five to seven years with adjustable interest rates tied to the prime rate, LIBOR, SOFR or the weekly average of the FHLB of Pittsburgh three- to ten-year fixed rates. We generally obtain personal guarantees from the borrower or a third party as a condition to originating the loan. On a limited basis, we will originate unsecured business loans in those instances where the applicant's financial strength and creditworthiness has been established. Commercial business loans generally bear higher interest rates than residential loans, but they also may involve a higher risk of default because their repayment is generally dependent on the successful operation of the borrower's business.

Our underwriting standards for commercial business loans include a determination of the applicant's ability to meet existing obligations and payments on the proposed loan from normal cash flows generated in the applicant's business. We assess the financial strength of each applicant through the review of financial statements and tax returns provided by the applicant. The creditworthiness of an applicant is derived from a review of credit reports as well as a search of public records. We periodically review business loans following origination. We request financial statements at least annually and review them for substantial deviations or changes that might affect repayment of the loan. Our loan officers may also visit the premises of borrowers to observe the business premises, facilities, and personnel and to inspect the pledged collateral. Lines of credit secured with accounts receivable and inventory typically require that the customer provide a monthly borrowing base certificate that is reviewed prior to each draw request. Underwriting standards for business loans are different for each type of loan depending on the financial strength of the applicant and the value of collateral offered as security. All commercial loans are assigned a risk rating, which is reviewed internally, as well as by independent loan review professionals, annually.

Commercial and industrial business loans involve a greater risk of default than one- to four-residential mortgage loans of like duration because their repayment generally depends on the successful operation of the borrower's business and the sufficiency of collateral, if any.

Consumer Loans. We originate consumer loans that primarily consist of indirect auto loans and, to a lesser extent, secured and unsecured loans and lines of credit. As of December 31, 2022, consumer loans totaled $146.9 million, or 14.0%, of our total loan portfolio, of which $140.3 million were indirect auto loans. Consumer loans are generally offered on a fixed-rate basis. Our underwriting standards for consumer loans include a determination of the applicant's credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan. The stability of the applicant's monthly income may be determined by verification of gross monthly income from primary employment, and additionally from any verifiable secondary income. We also consider the length of employment with the borrower's present employer as well as the amount of time the borrower has lived in the local area. Creditworthiness of the applicant is of primary consideration; however, the underwriting process also includes a comparison of the value of the collateral in relation to the proposed loan amount.

Indirect auto loans are loans that are sold by auto dealerships to third parties, such as banks or other types of lenders. We work with various auto dealers throughout our lending area. The dealer collects information from the applicant and transmits it to us electronically for review, where we can either accept or reject the applicant without ever meeting the applicant. If the Bank approves the applicant's request for financing, the Bank purchases the dealership-originated installment sales contract and is known as the holder in due course that is entitled to receive principal and interest payments from a borrower. As compensation for generating the loan, a portion of the rate is advanced to the dealer and accrued in a prepaid dealer reserve account. As a result, the Bank's yield is below the contractual interest rate because the Bank must wait for the stream of loan payments to be repaid. The Bank will receive a pro rata refund of the amount prepaid to the dealer only if the loan prepays within the first six months or if the collateral for the loan is repossessed. The Bank is responsible for pursuing repossession if the borrower defaults on payments.

Consumer loans entail greater risks than one- to four-family residential mortgage loans, particularly consumer loans secured by rapidly depreciating assets, such as automobiles, or loans that are unsecured. In such cases, collateral repossessed after a default may not provide an adequate source of repayment of the outstanding loan balance because of damage, loss or depreciation. Further, consumer loan payments are dependent on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Such events would increase our risk of loss on unsecured loans. Finally, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans in the event of a default.

Loan Approval Procedures and Authority

Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by the Board of Directors (the "Board"). In the approval process for residential loans, we assess the borrower's ability to repay the loan and the value of the property securing the loan. To assess the borrower's ability to repay, we review the borrower's income and expenses and employment and credit history. In the case of commercial loans, we also review projected income, expenses and the viability of the project being financed. We generally require appraisals of all real property securing loans. Appraisals are performed by independent licensed appraisers. The Bank's loan approval policies and limits are also established by its Board. All loans originated by the Bank are subject to its underwriting guidelines. Loan approval authorities vary based on loan size in the aggregate. Individual officer loan approval authority generally applies to loans of up to $1.0 million. Loans above that amount and up to 65% of the Bank's legal lending limit may be approved by the Loan Committee. Loans in the aggregate over 65% of the Bank's legal lending limit must be approved by the Board.

Delinquencies and Classified Assets

When a borrower fails to remit a required loan payment, a courtesy notice is sent to the borrower prior to the end of their appropriate grace period stressing the importance of paying the loan current. If a payment is not paid within the appropriate grace period, then a late notice is mailed. In addition, telephone calls are made and additional letters may be sent. Collection efforts continue until it is determined that the debt is uncollectible.

For loans secured by real estate, a Homeownership Counseling Notice is mailed when the loan is 45 days delinquent. In Pennsylvania, an Act 91 Notice is mailed to the borrower stating that they have 33 days to cure the default before foreclosure is initiated. In West Virginia, a Notice of Default is mailed and in Ohio, a demand letter is mailed when a loan is 60 days delinquent. When a loan becomes 90 or more days delinquent, it is forwarded to the Bank's attorney to pursue other remedies. An official mortgage foreclosure complaint typically occurs at 120 days delinquent. In the event collection efforts have not succeeded, the property will proceed to a Sheriff Sale to be sold.

For commercial loans, the borrower is contacted in an attempt to reestablish the loan to current payment status and ensure timely payments continue. Collection efforts continue until the loan is 60 days past due, at which time demand payment, default, and/or foreclosure procedures are initiated. We may consider loan workout arrangements with certain borrowers under certain circumstances.

Investment Activities

General. The Company's investment policy is established by its Board. The policy emphasizes safety of the investment, liquidity requirements, potential returns, cash flow targets, and consistency with the Company's interest rate risk management strategy.

Our current investment policy permits us to invest in U.S. treasuries, U.S government agency securities, mortgage-backed securities, investment grade corporate bonds, obligations of states and political subdivisions, short-term instruments, and other securities. The investment policy also permits investments in certificates of deposit, securities purchased under an agreement to resell, banker's acceptances, commercial paper and federal funds. Our current investment policy generally does not permit investment in stripped mortgage-backed securities, short sales, derivatives, or other high-risk securities. Federal and Pennsylvania state laws generally limit our investment activities to those permissible for a national bank.

The accounting rules require that, at the time of purchase, we designate a debt security as held to maturity, available-for-sale, or trading, depending on our ability and intent. Securities available for sale are reported at fair value, while securities held to maturity are reported at amortized cost. Our entire debt securities portfolio is designated as available-for-sale.

The debt securities portfolio consists primarily of U.S. government agency securities, obligations of states and political subdivisions, and mortgage-backed securities and collateralized mortgage obligations of government sponsored enterprises. We expect the composition of our debt securities portfolio to continue to change based on liquidity needs associated with loan origination activities. During the year ended December 31, 2022, we had no debt securities that were deemed to be other than temporarily impaired.

We also invest in equity securities, which consist primarily of mutual funds and a portfolio of bank stocks. This portfolio is valued at fair value with changes in market price recognized through noninterest income.

We maintain a minimum amount of liquid assets that may be invested in specified short-term securities and certain other investments. Liquidity levels may be increased or decreased depending upon the yields on investment alternatives and upon management's judgment as to the attractiveness of the yields then available in relation to other opportunities and its expectation of the level of yield that will be available in the future, as well as management's projections as to the short-term demand for funds to be used in our loan originations and other activities.

U.S. Government Agency Securities. At December 31, 2022, we held U.S. Government and agency securities with a fair value of $44.6 million compared to $52.6 million at December 31, 2021. At December 31, 2022, these securities had an average expected life of 6.1 years. While these securities generally provide lower yields than other investments, such as mortgage-backed securities, our current investment strategy is to maintain investments in such instruments to the extent appropriate for liquidity and pledging purposes, as collateral for borrowings, and for prepayment protection.

Obligations of States and Political Subdivisions. At December 31, 2022, we held available-for-sale municipal bonds with a fair value of $13.3 million compared to $19.0 million at December 31, 2021. 100% of our municipal bonds are issued by local municipalities or school districts located in Pennsylvania. Municipal bonds may be general obligation of the issuer or secured by specific revenues. The majority of our municipal bonds are general obligation bonds, which are backed by the full faith and credit of the municipality, paid off with funds from taxes and other fees, and have ratings (when available) of A or above. We also invest in a limited amount of special revenue municipal bonds, which are used to fund projects that will eventually create revenue directly, such as a toll road or lease payments for a new building.

Mortgage-Backed Securities. We invest in mortgage-backed ("MBS") and collateralized mortgage obligation ("CMO") securities insured or guaranteed by the United States government or government-sponsored enterprises. These securities, which consist of MBS's issued by Ginnie Mae, Fannie Mae and Freddie Mac, had an amortized cost of $143.3 million and $143.9 million at December 31, 2022 and 2021, respectively. The fair value of our MBS portfolio was $121.1 million and $143.1 million at December 31, 2022 and 2021, respectively. At December 31, 2022, all MBS's had fixed rates of interest.

MBS's are created by pooling mortgages and issuing a security with an interest rate that is less than the interest rate on the underlying mortgages. CMO's generally are a specific class of MBS's that are divided based on risk assessments and maturity dates. These mortgage classes are pooled into a special purpose entity, where tranches are created and sold to investors. Investors in a CMO are purchasing bonds issued by the entity, and then receive payments based on the income derived from the pooled mortgages. The various pools are divided into tranches are then securitized and sold to the investor. MBS's typically represent a participation interest in a pool of one- to four-family or multifamily mortgages, although we invest primarily in MBS's backed by one- to four-family mortgages. The issuers of such securities pool and resell the participation interests in the form of securities to investors. Some security pools are guaranteed as to payment of principal and interest to investors. MBS's generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. However, MBS's are more liquid than individual mortgage loans because there is an active trading market for such securities. In addition, MBS's may be used to collateralize our specific liabilities and obligations. Finally, MBS's are assigned lower risk-weightings for purposes of calculating our risk-based capital level.

Investments in MBS's involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may result in adjustments to the amortization of any premium or acceleration of any discount relating to such interests, thereby affecting the net yield on our securities.

Corporate Debt. At December 31, 2022, we held corporate debt securities with a fair value of $8.3 million. We invest in corporate debt issued by financial institutions which have fixed to floating-rate terms. Corporate debt are unsecured, medium or long term, interest-bearing bonds issued by financial institutions that are backed only by the general credit of the issuer. As such, investments in corporate debt involve default risk that the company may fail to make timely payments of interest or principal. We perform a credit analysis to verify the creditworthiness of the financial institution prior to purchase.

Sources of Funds

General. Deposits have traditionally been the Company's primary source of funds for use in lending and investment activities. The Company also uses borrowings, primarily FHLB of Pittsburgh advances, to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk purposes and manage the cost of funds. In addition, funds are derived from scheduled loan payments, investment maturities, loan prepayments, loan sales, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Deposits are generated primarily from residents within the Company's market area. The Company offers a variety of deposit accounts. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts offered allows the Company to be competitive in obtaining funds and responding to changes in consumer demand. Based on experience, the Company believes that its deposits are relatively stable. However, the ability to attract and maintain deposits and the rates paid on these deposits has been and will continue to be significantly affected by market conditions.

Borrowings. Deposits are our primary source of funds for lending and investment activities. If the need arises, we may rely upon borrowings to supplement our supply of available funds and to fund deposit withdrawals. Our borrowings may consist of advances from the FHLB, subordinated debt, funds borrowed under repurchase agreements and federal funds purchased.

The FHLB functions as a central reserve bank providing credit for us and other member savings associations and financial institutions. As a member, we are required to own capital stock in the FHLB and are authorized to apply for advances on the security of such stock and certain of our home mortgages, provided certain standards related to creditworthiness have been met. We typically secure advances from the FHLB with one- to four-family residential mortgage and commercial real estate loans. Advances are made pursuant to several different programs. Each credit program has its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of a member institution's stockholders' equity or on the FHLB's assessment of the institution's creditworthiness. At December 31, 2022, we had a maximum borrowing capacity with the FHLB of up to $435.3 million and available borrowing capacity of $407.4 million. At December 31, 2022, we had no FHLB advances outstanding. As an alternative to pledging securities, the facility is also used for standby letters of credit to collateralize public deposits in excess of the level insured by the FDIC. Commitments for standby letters of credit to secure public deposits were $26.2 million and $69.0 million as of December 31, 2022 and 2021.

Securities sold under agreements to repurchase represent business deposit customers whose funds, above designated target balances, are transferred into an overnight interest-earning investment account by purchasing securities from the Bank's investment portfolio under an agreement to repurchase. We may be required to provide additional collateral based on the fair value of the underlying securities. Short-term borrowings may also consist of federal funds purchased.

At December 31, 2022, the Bank maintained a Borrower-In-Custody of Collateral line of credit agreement with the FRB for $119.0 million that requires monthly certification of collateral, is subject to annual renewal, incurs no service charge and is secured by commercial and consumer indirect auto loans. The Bank also maintains multiple line of credit arrangements with various unaffiliated banks totaling $50.0 million. At December 31, 2022, we did not have any outstanding balances under any of these borrowing relationships.

In December 2021, the Company entered into a term loan in the principal amount of $15.0 million, evidenced by a term note which matures on December 15, 2031 ("2031 Note"). The 2031 Note is an unsecured subordinated obligation of the Company and may be repaid in whole or in part, without penalty, on any interest payment date on or after December 15, 2026 and at any time upon the occurrence of certain events. The 2031 Note initially bears a fixed interest rate of 3.875% per year to, but excluding, December 15, 2026 and thereafter at a floating rate equal to the then-current three-month term SOFR plus 280 basis points. The 2031 Note qualifies as Tier 2 capital under regulatory guidelines. At December 31, 2022, the principal balance and unamortized debt issuance costs for the 2031 Note were $15.0 million and $362,000, respectively.

Subsidiary Activities

Community Bank is the only subsidiary of the Company. The Bank wholly-owns Exchange Underwriters, Inc., a full-service, independent insurance agency.

REGULATION AND SUPERVISION

General

CB Financial Services, Inc. is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended. As such, it is registered with, subject to examination and supervision by, and otherwise required to comply with the rules and regulations of the Federal Reserve Board.

Community Bank is a Pennsylvania-chartered commercial bank subject to extensive regulation by the Pennsylvania Department of Banking and Securities and the FDIC. The Bank's deposit accounts are insured up to applicable limits by the FDIC. The Bank must file reports with the Pennsylvania Department of Banking and Securities and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions, such as mergers or acquisitions with other depository institutions. There are periodic examinations of the Bank by the Pennsylvania Department of Banking and Securities and the FDIC to review the Bank's compliance with various regulatory requirements. The Bank is also subject to certain reserve requirements established by the Federal Reserve Board. This regulation and supervision establishes a comprehensive framework of activities in which a commercial bank can engage and is intended primarily for the protection of the FDIC and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulation, whether by the Pennsylvania Department of Banking and Securities, the FDIC, the Federal Reserve Board or Congress could have a material impact on the operations of the Bank.

Set forth below is a brief description of material regulatory requirements that are or will be applicable to CB Financial Services, Inc., and Community Bank. The description is limited to certain material aspects of the statutes and regulations addressed, is not intended to be a complete description of such statutes and regulations and their effects on CB Financial Services, Inc. and Community Bank, and is qualified in its entirety by reference to the actual statutes and regulations involved.

Federal Legislation

The Dodd-Frank Act made significant changes to the regulatory structure for depository institutions and their holding companies. However, the Dodd-Frank Act's changes go well beyond that and affect the lending, investments and other operations of all depository institutions. The Dodd-Frank Act requires the Federal Reserve to set minimum capital levels for bank holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital for holding companies are restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. The legislation also establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect upon passage, and directs the federal banking regulators to implement new leverage and capital requirements that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks, such as the Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks with more than $10 billion in assets. Banks with $10 billion or less in assets are still examined for compliance by their applicable bank regulators. The new legislation also gave state attorney generals the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The legislation also increased the maximum amount of deposit insurance for banks to $250,000 per depositor. The Dodd-Frank Act increased shareholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so called "golden parachute" payments. The legislation also directs the Federal Reserve to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not. Further, the legislation requires that originators of securitized loans retain a percentage of the risk for transferred loans, directs the

Federal Reserve to regulate pricing of certain debit card interchange fees and contains a number of reforms related to mortgage origination.

The Dodd Frank Act has resulted in an increased regulatory burden and compliance, operating and interest expense for the Company and the Bank.

Bank Regulation

Business Activities. The Bank derives its lending and investment powers from the applicable Pennsylvania law, federal law and applicable state and federal regulations. Under these laws and regulations, The Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits.

Capital Requirements. Federal regulations require state banks to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% core capital to assets leverage ratio (3% for savings associations receiving the highest rating on the composite, or "CAMELS," rating system for capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk), and an 8% risk-based capital ratio.

The risk-based capital standard for state banks requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 1250%, assigned by the regulations, based on the risks believed inherent in the type of asset. Core capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan losses limited to a maximum of 1.25% of risk-weighted assets and up to 45% of net unrealized gains on available-for-sale securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital. Additionally, an institution that retains credit risk in connection with an asset sale is required to maintain additional regulatory capital because of the purchaser's recourse against the institution. In assessing an institution's capital adequacy, the FDIC takes into consideration not only these numeric factors, but qualitative factors as well and has the authority to establish higher capital requirements for individual associations where necessary.

At December 31, 2022, the Bank's capital exceeded all applicable requirements.

The risk-based capital rule and the method for calculating risk-weighted assets by the FDIC and the other federal bank regulators are consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The rule applies to all depository institutions (such as the Bank) and top-tier bank holding companies with total consolidated assets of $3.0 billion or more. Among other things, the rule established a common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The rule also requires unrealized gains and losses on certain available-for-sale securities to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The Bank elected the one-time opt-out election for accumulated other comprehensive loss ("AOCL") to be excluded from the regulatory capital calculation. The rule limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement was phased in at 0.625% per year beginning January 1, 2016 and ended January 1, 2019, when the full 2.5% capital conservation buffer requirement became effective.

Loans-to-One Borrower. Generally, a Pennsylvania-chartered commercial bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of capital. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of December 31, 2022, the Bank was in compliance with the loans-to-one borrower limitations.

Capital Distributions. The Pennsylvania Banking Code states, in part, that dividends may be declared and paid only out of accumulated net earnings and may not be declared or paid unless surplus is at least equal to capital. Dividends may not reduce surplus without the prior consent of the Pennsylvania Department of Banking and Securities. In addition, the Federal Deposit Insurance Act provides that an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement.

Community Reinvestment Act and Fair Lending Laws. All insured institutions have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. The FDIC is required to assess the Bank's record of compliance with the Community Reinvestment Act. Failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications, such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the FDIC, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. The Bank received a "satisfactory" rating in its most recent federal examination.

Transactions with Related Parties. A state-chartered bank's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls or is under common control with an insured depository institution, such as the Bank. The Company is an affiliate of the Bank because of its control of the Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a state-chartered bank from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

The Bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve. Among other things, these provisions generally require that extensions of credit to insiders be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital. In addition, extensions of credit in excess of certain limits must be approved by the Bank's Board. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action Regulations. Under the Federal Prompt Corrective Action statute, the FDIC is required to take supervisory actions against undercapitalized state-chartered banks under its jurisdiction, the severity of which depends upon the institution's level of capital. An institution that has total risk-based capital of less than 8% or a leverage ratio or a Tier 1 risk-based capital ratio that generally is less than 4% is considered to be "undercapitalized". An institution that has total risk-based capital less than 6%, a Tier 1 core risk-based capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized." An institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized."

Generally, the Pennsylvania Department of Banking and Securities (the "Pennsylvania Department of Banking" or "PDBS") is required to appoint a receiver or conservator for a state-chartered bank that is "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the FDIC within 45 days of the date that an institution is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any bank holding company of an institution that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5% of the institution's assets at the time it was deemed to be undercapitalized by the FDIC or the amount necessary to restore the institution to adequately capitalized status. This guarantee remains in place until the FDIC notifies the institution that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures, such as restrictions on capital distributions and asset growth. The PDBS may also take any one of a number of discretionary supervisory actions against undercapitalized institutions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At December 31, 2022, the Bank met the criteria for being considered “well capitalized.”

In addition, the final capital rule adopted in July 2013 revises the prompt corrective action categories to incorporate the revised minimum capital requirements of that rule.

Enforcement. The Pennsylvania Department of Banking maintains enforcement authority over the Bank, including the power to issue cease and desist orders and civil money penalties and to remove directors, officers or employees. It also has the power to appoint a conservator or receiver for a bank upon insolvency, imminent insolvency, unsafe or unsound condition or certain other situations. The FDIC has primary federal enforcement responsibility over non-Federal Reserve Bank (“FRB”)-member state banks and has authority to bring actions against the institution and all institution-affiliated parties, including stockholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful actions likely to have an adverse effect on the bank. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. In general, regulatory enforcement actions occur with respect to situations involving unsafe or unsound practices or conditions, violations of law or regulation or breaches of fiduciary duty. Federal and Pennsylvania laws also establish criminal penalties for certain violations.

Insurance of Deposit Accounts. The Deposit Insurance Fund (“DIF”) of the FDIC insures deposits at FDIC-insured financial institutions, such as the Bank. Deposit accounts in the Bank are insured by the FDIC generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts. The FDIC charges insured depository institutions premiums to maintain the DIF.

The Dodd-Frank Act increased the minimum target DIF ratio from 1.15% to 1.35% of estimated insured deposits. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC to establish a maximum fund ratio. The FDIC has exercised that discretion by establishing a long-range fund ratio of 2%. The FDIC adopted a plan to restore the fund to the 1.35% ratio by September 30, 2028.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The Bank does not currently know of any practice, condition or violation that may lead to termination of its deposit insurance.

Prohibitions Against Tying Arrangements. State-chartered banks are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

FHLB System. The Bank is a member of the FHLB System, which consists of 11 regional FHLBs. The FHLB System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the FHLB of Pittsburgh, The Bank is required to acquire and hold shares of capital stock in the FHLB. As of December 31, 2022, the Bank was in compliance with this requirement. The Bank also is able to borrow from the FHLB of Pittsburgh, which provides an additional source of liquidity for the Bank.

Federal Reserve System. The FRB regulations historically required banks to maintain reserves against their transaction accounts (primarily Negotiable Order of Withdrawal, or NOW and regular checking accounts). The regulations generally provide that reserves be maintained against aggregate transaction accounts as follows for 2022: a 3% reserve ratio is assessed on net transaction accounts up to and including $640.6 million; a 10% reserve ratio is applied above $640.6 million. The first $32.4 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) are exempted from the reserve requirements. The Bank complies with the foregoing requirements. However, effective March 26, 2020, the FRB reduced reserve requirement ratios on all net transaction accounts to 0%, eliminating reserve requirements for all depository institutions, in response to the COVID-19 pandemic.

Other Regulations

Interest and other charges collected or contracted by the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank’s operations are also subject to federal and state laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth in Savings Act; and
- Rules and regulations of the various federal and state agencies charged with the responsibility of implementing such laws.

The operations of the Bank also are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;
- The USA PATRIOT Act, which requires banks operating to, among other things, establish broadened anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and
- The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

General. The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended. As such, the Company is registered with the Federal Reserve and is subject to regulations, examinations, supervision and reporting requirements applicable to bank holding companies. In addition, the Federal Reserve has enforcement authority over the Company and its non-bank subsidiaries. Among other things, this authority permits the Federal Reserve to restrict or prohibit activities that are determined to be a serious risk to the subsidiary banking institution.

Capital. The Dodd-Frank Act requires the Federal Reserve to establish for all depository institution holding companies minimum consolidated capital requirements that are as stringent as those required for the insured depository subsidiaries.

Source of Strength. The Dodd-Frank Act requires that all bank holding companies serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Dividends. The Federal Reserve has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances, such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate or earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary depository institution becomes undercapitalized. The policy statement also states that a holding company should inform the Federal Reserve supervisory staff before redeeming or repurchasing common stock or perpetual preferred stock if the holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, as of the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the Company's ability to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Acquisition. Under the Change in Bank Control Act, a federal statute, a notice must be submitted to the Federal Reserve if any person (including a company), or group acting in concert, seeks to acquire direct or indirect "control" of a bank holding company. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10%

or more of the company's outstanding voting stock, unless the Federal Reserve has found that the acquisition will not result in control of the company. A change in control definitively occurs upon the acquisition of 25% or more of the company's outstanding voting stock.

Under the Change in Bank Control Act, the Federal Reserve generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition.

Federal Securities Laws. The Company's common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. As a result, the Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the federal securities laws. The Company has policies, procedures and systems designed to comply with these regulations, and the Company reviews and documents these policies, procedures and systems to ensure continued compliance with these regulations.

TAXATION

General. The Company and the Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize certain pertinent federal income tax matters and is not a comprehensive description of the tax rules applicable to the Company and the Bank.

Method of Accounting. For federal income tax purposes, the Company currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal and state income tax returns.

Federal Taxation. The federal income tax laws apply to the Company in the same manner as to other corporations with some exceptions. The Company may exclude from income 100% of dividends received from the Bank as members of the same affiliated group of corporations. For federal income tax purposes, corporations may carryforward net operating losses indefinitely, but the deduction is limited to 80% of taxable income. For its 2022 and 2021 fiscal year, the Company's maximum federal income tax rate was 21%.

State Taxation. The Bank is subject to the Pennsylvania Bank and Trust Company Shares Tax ("Shares Tax") rate of 0.95%. The tax is imposed on the Bank's adjusted equity. The Company and Exchange Underwriters are subject to the Pennsylvania Corporate Net Income Tax, otherwise known as "CNI tax." The CNI tax rate in 2022 and 2021 was 9.99%. The tax is imposed on income or loss from the federal income tax return on a separate-company basis for the Company and Exchange Underwriters. The federal return income or loss is adjusted for various items treated differently by the Pennsylvania Department of Revenue.

The FWVB merger has exposed the Company to additional state tax filing requirements in West Virginia and Ohio. The West Virginia Corporation Net Income Tax imposes a state income tax at the rate 6.5% based on the Company's consolidated taxable federal net income or loss on the Company's federal tax return, adjusted for various items treated differently by the West Virginia State Tax Department. The State of Ohio imposes an equity-based tax similar to the PA Shares Tax called Financial Institutions Tax ("FIT") at a minimum tax of $1,000 or a rate of 0.8% for the first $200 million of Ohio based-equity, and then a declining rate thereafter. All state taxation is apportioned to states where nexus exists based on different metrics of the Company's Consolidated Statements of Financial Condition and Consolidated Statements of Income.

ITEM 1A. RISK FACTORS

In addition to risks disclosed elsewhere in this Report, the following discussion sets forth the material risk factors that could affect the Company's consolidated financial condition and results of operations. Readers should not consider any descriptions of these factors to be a complete set of all potential risks that could affect the Company. Any risk factor discussed below could by itself, or combined with other factors, materially and adversely affect the Company's business, results of operations, financial condition, capital position, liquidity, competitive position or reputation, including by materially increasing expenses or decreasing revenues, which could result in material losses or a decrease in earnings.

<u>Risks Related to COVID-19 Pandemic</u>

The economic impact of the COVID-19 pandemic could adversely affect our financial condition and results of operations.

The COVID-19 pandemic has caused significant economic dislocation in the United States. Although the domestic and global economies have begun to recover from the COVID-19 pandemic as many health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time, including labor shortages and disruptions of global supply chains. The growth in economic activity and in the demand for goods and services, coupled with labor shortages and supply chain disruptions, has also contributed to rising inflationary pressures. As a result of the COVID-19 pandemic and the related adverse economic consequences, we could be subject to the following risks, among others, any of which individually or in combination with others could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline, making it difficult to grow assets and income;
- if high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- limitations may be placed on our ability to foreclose on properties we hold as collateral;
- our allowance for loan losses may have to be increased if borrowers experience financial difficulties, which will adversely affect our net income;
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;
- our cybersecurity risks are increased as the result of an increase in the number of employees working remotely;
- we rely on third-party vendors for certain services and the unavailability of a critical service due to the COVID-19 pandemic could have an adverse effect on us; and
- Federal Deposit Insurance Corporation premiums may increase if the agency experiences additional resolution costs.

Risks Related to Our Lending Activities

A large percentage of the Company's loans are collateralized by real estate, and further disruptions in the real estate market may result in losses and reduce the Company's earnings.

A substantial portion of the Company's loan portfolio consists of loans collateralized by real estate. Improving economic conditions have shifted to an increase in demand for real estate, which has resulted in stabilization of some real estate values in the Company's markets. Further disruptions in the real estate market could significantly impair the value of the Company's collateral and its ability to sell the collateral upon foreclosure. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. If real estate values decline further, it is likely that the Company would be required to increase its allowance for loan losses. If, during a period of lower real estate values, the Company is required to liquidate the collateral securing a loan to satisfy debts or to increase its allowance for loan losses, it could materially reduce its profitability and adversely affect its financial condition.

Because the Company emphasizes commercial real estate and commercial loan originations, its credit risk may increase, and continued downturns in the local real estate market or economy could adversely affect its earnings.

Commercial real estate and commercial loans generally have more inherent risk than the residential real estate loans. Because the repayment of commercial real estate and commercial loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate and commercial loans also may involve relatively large loan balances to individual borrowers or groups of related borrowers. A downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower's business, thereby increasing the risk of nonperforming loans. As the Company's commercial real estate and commercial loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase. Furthermore, it may be difficult to assess the future performance of newly originated commercial loans, as such loans may have delinquency or charge-off levels above the Company's historical experience, which could adversely affect the Company's future performance.

If our nonperforming assets increase, our earnings will suffer.

Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on non-accrual loans or real estate owned. We must reserve for probable losses, which results in additional provisions for loan losses. As circumstances warrant, we must write down the value of properties in our other real estate owned portfolio to reflect changing market values. Additionally, we have legal fees associated with the resolution of problem assets as well as additional costs, such as taxes, insurance and maintenance related to our other real estate owned. The resolution of nonperforming assets also requires the active involvement of management, which can adversely affect the amount of time we devote to the income-producing activities of the Bank. If our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance accordingly.

If the Company's allowance for loan losses is not sufficient to cover actual loan losses, the Company's results of operations would be negatively affected.

In determining the adequacy of the allowance for loan losses, the Company analyzes its loss and delinquency experience by loan categories and considers the effect of existing economic conditions. In addition, the Company makes various assumptions and judgments about the collectability of the loan portfolio, including the creditworthiness of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of the loans. If the results of these analyses are incorrect, the allowance for loan losses may not be sufficient to cover losses inherent in the portfolio, which would require additions to the allowance and would reduce net income.

In addition, bank regulators periodically review the Company's allowance for loan losses and may require it to increase the allowance for loan losses or recognize further loan charge-offs. Any increase in the allowance for loan losses or loan charge-offs as required by these regulatory authorities may have a material adverse effect on the Company's financial condition and results of operations.

The Financial Accounting Standard Board ("FASB") has issued an accounting standard update that will result in a significant change in how we recognize credit losses and may have a material impact on our financial condition or results of operations.

In 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current accounting principles generally accepted in the United States of America ("GAAP") and instead requires an entity to reflect its estimate of all current expected credit losses ("CECL"). Under the CECL model, we will be required to present certain financial assets carried at amortized cost, such as loans held for investment and debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the Statements of Financial Condition and periodically thereafter. This differs significantly from the incurred loss model required under current GAAP, which delays recognition until it is probable a loss has been incurred. Accordingly, we expect that the adoption of the CECL model will materially affect how we determine our allowance for loan losses. Moreover, the CECL model may create more volatility in the level of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations.

In November 2019, the FASB approved a delay of the required implementation date of ASU 2016-13 for smaller reporting companies resulting in a required implementation date for the Company as of January 1, 2023. Upon adoption, the Company expects to record a cumulative effect adjustment to retained earnings that will increase stockholders' equity by $2.1 million, net of tax. See Note 1 of the consolidated financial statements for additional detail.

Risk Related to Changes in Market Interest Rates

Changes in interest rates may reduce the Company's profits and impair asset values.

The Company's earnings and cash flows depend primarily on its net interest income. Interest rates are highly sensitive to many factors that are beyond the Company's control, including general economic conditions and the policies of various governmental and regulatory agencies, particularly the Federal Reserve. Changes in market interest rates could have an adverse effect on the Company's financial condition and results of operations. If rates increase rapidly, the Company may have to increase the rates paid on deposits, particularly higher cost time deposits and borrowed funds, more quickly than any changes in interest rates earned on loans and investments, resulting in a negative effect on interest rate spreads and net interest income. Increases in interest rates may also make it more difficult for borrowers to repay adjustable rate loans. Conversely, should market interest rates fall below current levels, the Company's net interest margin also could be negatively affected if competitive pressures keep it from further reducing rates on deposits, while the yields on the Company's interest-earning assets decrease more rapidly through loan prepayments and interest rate adjustments. Decreases in interest rates often result in increased prepayments of loans and mortgage-related securities, as borrowers refinance their loans to reduce borrowings costs. Under these circumstances, the Company is subject to reinvestment risk to the extent it is unable to reinvest the cash received from such prepayments in loans or other investments that have interest rates that are comparable to the interest rates on existing loans and securities. Changes in interest rates also affect the value of the Company's interest-earning assets, and in particular its securities portfolio. Generally, the value of fixed-rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale determined to be temporary in nature are reported as a separate component of equity. Decreases in the fair value of securities available for sale resulting from increases in interest rates therefore could have an adverse effect on the Company's stockholders' equity.

Risks Related to Our Acquisition Activity

Impairment in the carrying value of goodwill could negatively affect our results of operations.

We have recorded goodwill in connection with our recently completed mergers. At December 31, 2022, we had $9.7 million of goodwill on our Consolidated Statements of Financial Condition after incurring goodwill impairment of $18.7 million in 2020. Any further impairment to goodwill could have a material adverse impact on the Company's consolidated financial conditions and results of operations. 100% of the goodwill is assigned to the Community Banking reporting unit. Under GAAP, goodwill must be evaluated for impairment annually or on an interim basis when a triggering event occurs. If the carrying value of our reporting unit exceeds its current fair value as determined based on the value of the business, the goodwill is considered impaired and is reduced to fair value by a non-cash, non-tax-deductible charge to earnings. The impairment testing required by GAAP involves estimates and significant judgments by management. Although we believe our assumptions and estimates are reasonable and appropriate, any changes in key assumptions or other unanticipated events and circumstances may affect the accuracy or validity of such estimates. Events and conditions that could result in impairment in the value of our goodwill include worsening business conditions and economic factors, particularly those that may result from the impact of a downturn in the economy as a result of COVID-19, changes in the industries in which we operate, adverse changes in the regulatory environment, or other factors leading to reduction in expected long-term profitability and cash flows.

Risk Related to Our Liquidity Position

If we are unable to borrow funds, we may not be able to meet the cash flow requirements of our depositors, creditors, and borrowers, or the operating cash needed to fund corporate expansion and other corporate activities.

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. Our liquidity is used to make loans and to repay deposit liabilities as they become due or are demanded by customers. Liquidity policies and procedures are established by the board, with operating limits set based upon the ratio of loans to deposits and percentage of assets funded with non-core or wholesale funding. We regularly monitor our overall liquidity position to ensure various alternative strategies exist to cover unanticipated events that could affect liquidity. We also establish policies and monitor guidelines to diversify our wholesale funding sources to avoid concentrations in any one market source. Wholesale funding sources include federal funds purchased, securities sold under repurchase agreements, non-core deposits, and debt. The Bank is a member of the FHLB of Pittsburgh, which provides funding through advances to members that are collateralized with mortgage-related assets.

We maintain a portfolio of available-for-sale securities that can be used as a secondary source of liquidity. There are other sources of liquidity available to us should they be needed. These sources include the sale of loans, the ability to acquire national market, non-core deposits, issuance of additional collateralized borrowings such as FHLB advances and federal funds purchased, and the issuance of preferred or common securities.

Risks Related to Our Ability to Pay Dividends

The Company's ability to pay dividends is subject to the ability of Community Bank to make capital distributions to the Company, and also may be limited by Federal Reserve policy.

The Company's long-term ability to pay dividends to its stockholders depends primarily on the ability of the Bank to make capital distributions to the Company and on the availability of cash at the holding company level if the Bank's earnings are not sufficient to pay dividends. In addition, the Federal Reserve has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances, such as where the holding company's net income for the past four quarters, net of dividends paid over that period, is insufficient to fully fund the dividend or the holding company's overall rate or earnings retention is inconsistent with its capital needs and overall financial condition. These regulatory policies may adversely affect the Company's ability to pay dividends or otherwise engage in capital distributions.

Risks Related to Our Operations

Because the nature of the financial services business involves a high volume of transactions, the Company faces significant operational risks.

The Company operates in diverse markets and relies on the ability of its employees and systems to process a significant number of transactions. Operational risk is the risk of loss resulting from operations, including the risk of fraud by employees or persons outside a company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. If a breakdown occurs in the internal controls system, improper operation of systems or improper employee actions, the Company could incur financial loss, face regulatory action and suffer damage to its reputation.

Risks associated with system failures, interruptions, breaches of security or cyber security could negatively affect the Company's earnings.

Information technology systems are critical to the Company's business. The Company uses various technology systems to manage customer relationships, general ledger, securities, deposits and loans. The Company has established policies and procedures to prevent or limit the effect of system failures, interruptions and security breaches, but such events may still occur or may not be adequately addressed if they do occur. In addition, any compromise of the Company's systems could deter customers from using its products and services. Security systems may not protect systems from security breaches.

In addition, the Company outsources some of its data processing to certain third-party providers. If these third-party providers encounter difficulties, or if the Company has difficulty communicating with them, the Company's ability to adequately process and account for transactions could be affected, and business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption or breach of security could damage the Company's reputation and result in a loss of customers and business thereby, subjecting it to additional regulatory scrutiny, or could expose it to litigation and possible financial liability. Although the Company has not experienced any system failures, interruption or breach of security to date, any of these events could have a material adverse effect on its financial condition and results of operations.

The Company is constantly relying upon the availability of technology, the Internet and telecommunication systems to enable financial transactions by clients, to record and monitor transactions and transmit and receive data to and from clients and third parties. Information security risks have increased significantly due to the use of online, telephone and mobile banking channels by clients and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. Our technologies, systems, networks and our clients' devices have been subject to, and are likely to continue to be the target of, cyberattacks, computer viruses, malware, phishing attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our clients' confidential, proprietary and other information, the theft of client assets through fraudulent transactions or disruption of our or our clients' or other third parties' business operations. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's risk management framework may not be effective in mitigating risk and reducing the potential for significant losses.

The Company's risk management framework is designed to minimize risk and loss to the company. The Company seeks to identify, measure, monitor, report and control exposure to risk, including strategic, market, liquidity, compliance and operational risks. While the Company uses a broad and diversified set of risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased the Company's level of risk. Accordingly, the Company could suffer losses if it fails to properly anticipate and manage these risks.

Reforms to and uncertainty regarding LIBOR may adversely affect our business.

In 2017, the Chief Executive of the United Kingdom Financial Conduct Authority ("FCA"), which regulates the London Inter-bank Offered Rate ("LIBOR"), announced in July 2017 that the sustainability of LIBOR cannot be guaranteed. The administrator for LIBOR announced on March 5, 2021 that it will permanently cease to publish most LIBOR settings beginning on January 1, 2022 and cease to publish the overnight, one-month, three-month, six-month and 12-month USD LIBOR settings on July 1, 2023. Accordingly, the FCA has stated that is does not intend to persuade or compel banks to submit to LIBOR after such respective dates. Until such time, however, FCA panel banks have agreed to continue to support LIBOR. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. A committee of private-market derivative participants and their regulators convened by the Federal Reserve, the Alternative Reference Rates Committee ("ARRC"), was created to identify an alternative reference interest rate to replace LIBOR. The ARRC announced Secured Overnight Financing Rate ("SOFR"), a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, as its preferred alternative to LIBOR. Subsequently, the Federal Reserve announced final plans for the production of SOFR, which resulted in the commencement of its published rates by the FRB of New York on April 2, 2018. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question and the future of LIBOR at this time is uncertain. The uncertainty as to the nature and effect of such reforms and actions and the political discontinuance of LIBOR may adversely affect the value of and return on our financial assets and liabilities that are based on or are linked to LIBOR, our results of operations or financial condition. In addition, these reforms may also require extensive changes to the contracts that govern these LIBOR based products, as well as our systems and processes. The implementation of a substitute index or indices for the calculation of interest rates under our loan agreements with our borrowers may result in our incurring significant expenses in effecting the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations. Currently, the manner and impact of this transition and related developments, as well as the effect of these developments on our funding costs, securities portfolio and business, is uncertain.

Risks Related to Accounting Matters

Changes in the Company's accounting policies or in accounting standards could materially affect how the Company reports its financial condition and results of operations.

The Company's accounting policies are essential to understanding its financial condition and results of operations. Some of these policies require the use of estimates and assumptions that may affect the value of the Company's assets, liabilities, and financial results. Some of the Company's accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain, and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying the Company's financial statements are incorrect, it may experience material losses.

From time to time, the FASB and the Securities and Exchange Commission change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of the Company's financial statements. These changes are beyond the Company's control, can be difficult to predict, and could materially affect how the Company reports its financial condition and results of operations. The Company could also be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements in material amounts.

The need to account for certain assets at estimated fair value, such as securities, may adversely affect the Company's financial condition and results of operations.

The Company reports certain assets, such as securities, at estimated fair value. Generally, for assets that are reported at fair value, the Company uses quoted market prices or valuation models that utilize observable market inputs to estimate fair value. Because the Company carries these assets on its books at their estimated fair value, it may incur losses even if the asset in question presents minimal credit risk.

Risks Related to Competitive Matters

Strong competition within the Company's market area could adversely affect the Company's earnings and slow growth.

The Company faces intense competition both in making loans and attracting deposits. Price competition for loans and deposits might result in the Company earning less on its loans and paying more on its deposits, which reduces net interest income. Some of the Company's competitors have substantially greater resources than the Company has and may offer services that it does not provide. The Company expects competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing consolidation in the financial services industry. The Company's profitability will depend upon its continued ability to compete successfully in its market areas.

General Risk Factors

A worsening of economic conditions could adversely affect the Company's financial condition and results of operations.

A worsening of economic conditions could significantly affect the markets in which the Company operates, the value of loans and investments, ongoing operations, costs and profitability. Further declines in real estate values and sales volumes and continued elevated unemployment levels may result in higher than expected loan delinquencies, increases in nonperforming and criticized classified assets, and a decline in demand for the Company's products and services. In addition, the volatility in natural gas prices, or if prices decline, may depress natural gas exploration and drilling activities in the Marcellus Shale Formation. Furthermore, exploration and drilling of natural gas reserves in our market area may be affected by federal, state and local laws and regulations affecting production, permitting, environmental protection and other matters. Any of these events may negatively affect our customers, and may cause the Company to incur losses, and may adversely affect its financial condition and results of operations.

Inflation can have an adverse impact on our business and on our customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Recently, there have been market indicators of a pronounced rise in inflation and the FRB has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our noninterest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us.

Climate change and related legislative and regulatory initiatives may materially affect the Company's financial condition and results of operations.

The effects of climate change continue to create a rising level of concern for the state of the global environment. As a result, businesses have increased their political and social awareness surrounding the issue, and the U.S. has entered into international agreements in an attempt to reduce global temperatures. In addition, the U.S. government, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives to combat climate change. Other expansive initiatives are expected, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. The lack of empirical data surrounding the credit and other financial risks posed by climate change render it difficult to predict how climate change may impact our financial condition and results of operations; however, the physical effects of climate change may also directly impact us. Specifically, unpredictable and more frequent weather disasters may adversely impact the value of real property securing the loans in our portfolios. Additionally, if insurance obtained by our borrowers is insufficient to cover any losses sustained to the collateral, or if insurance coverage is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted by climate change, which could impact our financial condition and results of operations. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact the communities in which we operate. Overall, the effects and resulting, unknown impact of climate change could have a material adverse effect on our financial condition and results of operations.

We could be adversely affected by failure in our internal controls.

A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of us. We devote a significant amount of effort, time and resources to continually strengthening our controls and ensuring compliance with complex accounting standards and banking regulations. Compliance with increased or new standards and regulations applicable to our Company may entail management spending increased time addressing such standards and regulations. Further, the Company may be required to expend additional capital resources on professional advisors, which could increase operational expenses and therefore negatively impact our net income.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 2. PROPERTIES

At December 31, 2022, our premises and equipment had an aggregate net book value of approximately $17.8 million. We conduct our business through 13 branch offices. The branch offices are utilized by the community banking segment. In addition, the community banking segment has a corporate office, operations center and loan production office. The insurance brokerage services segment, Exchange Underwriters, operates from one office. We believe that our office facilities are adequate to meet our present and immediately foreseeable needs.

The following table sets forth certain information concerning the main and each branch office at December 31, 2022.

Location	Owned or Leased
PENNSYLVANIA	
Main Office (Greene County):	
100 North Market Street, Carmichaels, PA 15320	Owned
Barron P. "Pat" McCune, Jr. Corporate Center (Washington County):	
2111 North Franklin Drive, Washington, PA 15301	Owned
Ralph J. Sommers, Jr. Operations Center (Greene County):	
600 Evergreene Drive, Waynesburg, PA 15370	Owned
Branch Offices (Greene County):	
30 West Greene Street, Waynesburg, PA 15370	Owned
100 Miller Lane, Waynesburg, PA 15370	Building Owned, Ground Lease
1993 South Eighty Eight Road, Greensboro, PA 15338	Owned
Branch Offices (Washington County):	
65 West Chestnut Street, Washington, PA 15301	Building Owned, Ground Lease
4139 Washington Road, McMurray, PA 15317	Leased
200 Main Street, Claysville, PA 15232	Owned
Branch Offices (Fayette County):	
545 West Main Street, Uniontown, PA 15401	Building Owned, Ground Lease
Branch Office (Westmoreland County):	
1670 Broad Avenue, Belle Vernon, PA 15012	Owned
Branch Office (Allegheny County):	
714 Brookline Boulevard, Pittsburgh, PA 15226	Owned
Northern Business Center:	
100 Pinewood Lane, Suite 101, Warrendale, PA 15086	Leased
Exchange Underwriters	
2111 North Franklin Drive, Washington, PA 15301	Owned
WEST VIRGINIA	
Branch Offices (Ohio County):	
1701 Warwood Avenue, Wheeling, WV 26003	Owned
875 National Road, Wheeling, WV 26003	Owned
Branch Office (Marshall County):	
809 Lafayette Avenue, Moundsville, WV 26041	Owned

ITEM 3. LEGAL PROCEEDINGS

At December 31, 2022, we were not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business which, in the aggregate, involve amounts that management believes are immaterial to our financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the NASDAQ Global Market under the symbol "CBFV." The approximate number of holders of record of the Company's common stock as of March 7, 2023, was 625. Certain shares of Company common stock are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Equity Compensation Plans

The following table provides information at December 31, 2022, for compensation plans under which equity securities may be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options warrants and rights	Weighted-average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
	(A)	(B)	(C)
Equity compensation plans:			
Approved by stockholders	283,748 (1)	$ 24.52 (1)	333,335 (2)
Not approved by stockholders	—	—	—
Total	283,748	$ 24.52	333,335

(1) Represents stock options available to be exercised under the 2015 Equity Incentive Plan (the "2015 Plan"). The 2015 Plan shall remain in effect as long as any awards are outstanding, but as a result of the approval of the 2021 Equity Incentive Plan (the "2021 Plan"), no more awards can be granted under the 2015 Plan.

(2) Represents 333,335 shares available under the 2021 Plan (the "Share Limit") that can be issued of which a maximum of 333,335 shares may be issued as stock options and 166,667 shares may be issued as restricted stock awards or units based on the terms of the Plan whereby the Share Limit is reduced, on a one-for-one basis, for each share of common stock subject to a stock option grant, and on a two and one-half-for-one basis for each share of common stock issued pursuant to restricted stock awards or units. At December 31, 2022, 104,465 stock options, and 27,765 restricted shares have been granted under the 2021 Plan.

Issuer Purchases of Equity Securities

The following table provides information relating to our purchase of shares of our common stock during the three months ended December 31, 2022.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
October 1-31, 2022	4,620	$ 21.88	4,620	$ 8,603,128
November 1-30, 2022	0	—	0	8,603,128
December 1-31, 2022	0	—	0	8,603,128
Total	4,620	$ 21.88	4,620	

(1) On April 21, 2022, the Company announced that the Board had approved a program commencing on May 2, 2022 to repurchase up to $10.0 million of the Company's outstanding common stock. This repurchase is set to expire on May 1, 2023. In connection with the program, as of December 31, 2022, the Company purchased a total of 62,178 shares of the Company's common stock at an average price of $22.46 per share.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis reflects our consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the audited consolidated financial statements, which appear in this Report. You should read the information in this section in conjunction with the business and financial information the Company provided in this Report.

Cautionary Statement Concerning Forward-Looking Statements

See the first page of this Report for information regarding forward-looking statements.

Selected Financial Data

The following tables set forth selected historical financial and other data of the Company at and for the years ended December 31, 2022, 2021 and 2020. The information at December 31, 2022 and 2021, and for the years ended December 31, 2022 and 2021 is derived in part from, and should be read together with, the Company's audited consolidated financial statements and notes included in this Report and should be read together therewith. The information at December 31, 2020 and for the year ended December 31, 2020 is derived in part from audited financial statements that are not included in this Report.

December 31,	2022	2021	2020
(Dollars in Thousands)			
Selected Financial Condition Data:			
Assets	$ 1,408,938	$ 1,425,479	$ 1,416,720
Cash and Due From Banks	103,700	119,674	160,911
Securities	190,058	224,974	145,400
Loans, Net	1,037,054	1,009,214	1,031,982
Deposits	1,268,503	1,226,613	1,224,569
Short-Term Borrowings	8,060	39,266	41,055
Other Borrowings	14,638	17,601	8,000
Stockholders' Equity	110,155	133,124	134,530

Year Ended December 31,	2022	2021	2020
(Dollars in Thousands)			
Selected Operating Data:			
Interest and Dividend Income	$ 47,716	$ 43,557	$ 47,467
Interest Expense	4,781	3,405	5,563
Net Interest and Dividend Income	42,935	40,152	41,904
Provision (Recovery) for Loan Losses	3,784	(1,125)	4,000
Net Interest and Dividend Income After Provision (Recovery) for Loan Losses	39,151	41,277	37,904
Noninterest Income	9,820	16,280	9,471
Noninterest Expense	34,891	42,862	56,767
Income (Loss) Before Income Tax Expense	14,080	14,695	(9,392)
Income Tax Expense	2,833	3,125	1,248
Net Income (Loss)	$ 11,247	$ 11,570	$ (10,640)

At or For the Year Ended December 31,	2022	2021	2020
Per Common Share Data:			
Earnings (Loss) Per Common Share - Basic	$ 2.19	$ 2.15	$ (1.97)
Earnings (Loss) Per Common Share - Diluted	2.18	2.15	(1.97)
Dividends Per Common Share	0.96	0.96	0.96
Dividend Payout Ratio [1]	44.04 %	44.65 %	(48.73)%
Book Value Per Common Share	$ 21.60	$ 25.31	$ 24.76
Common Shares Outstanding	5,100,189	5,260,672	5,434,374

At or For the Year Ended December 31,	2022	2021	2020
Selected Financial Ratios:			
Return on Average Assets	0.80 %	0.79 %	(0.77)%
Return on Average Equity	9.56	8.66	(7.18)
Average Interest-Earning Assets to Average Interest-Bearing Liabilities	148.00	145.44	139.89
Average Equity to Average Assets	8.36	9.12	10.75
Net Interest Rate Spread (2)	3.07	2.81	3.13
Net Interest Rate Spread (Non-GAAP) (2)(4)	3.08	2.82	3.15
Net Interest Margin (3)	3.24	2.92	3.30
Net Interest Margin (Non-GAAP) (3)(4)	3.25	2.94	3.32
Net Charge-Offs to Average Loans	0.25	0.01	0.11
Noninterest Expense to Average Assets	2.48	2.93	4.12
Efficiency Ratio (5)	66.14	75.95	110.50
Asset Quality Ratios:			
Allowance for Loan Losses to Total Loans	1.22 %	1.13 %	1.22 %
Allowance for Loan Losses to Nonperforming Loans	221.06	159.40	88.15
Allowance for Loan Losses to Nonaccrual Loans	320.64	233.37	117.28
Delinquent and Nonaccrual Loans to Total Loans	0.81	0.78	1.50
Nonperforming Loans to Total Loans	0.55	0.71	1.39
Nonperforming Loans to Total Assets	0.41	0.51	1.02
Nonperforming Assets to Total Assets	0.41	0.51	1.04
Capital Ratios:			
Common Equity Tier 1 Capital to Risk-Weighted Assets (6)	12.33%	11.95%	11.79%
Tier 1 Capital to Risk-Weighted Assets (6)	12.33	11.95	11.79
Total Capital to Risk-Weighted Assets (6)	13.58	13.18	13.04
Tier 1 Leverage Capital to Adjusted Total Assets (6)	8.66	7.76	7.81
Other:			
Number of Branch Offices	13	14	22
Number of Full-Time Equivalent Employees	197	200	257

(1) *Represents dividends per share divided by net income per share.*

(2) *Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.*

(3) *Represents net interest income as a percentage of average interest-earning assets.*

(4) *Fully taxable-equivalent (FTE) yield adjustments have been made for tax exempt loan and securities income utilizing a marginal federal income tax rate of 21% for the years ended December 31, 2022, 2021 and 2020. Refer to Explanation of Use of Non-GAAP Financial Measures in Item 7 of this Report* for the calculation of the measure and reconciliation to the most comparable GAAP measure..

(5) *Represents noninterest expense divided by the sum of net interest income and noninterest income.*

(6) *Capital ratios are for Community Bank only.*

Critical Accounting Policies and Use of Critical Accounting Estimates

Critical accounting policies are those that involve significant judgments, estimates and assumptions by management and that have, or could have, a material impact on the Company's income or the carrying value of its assets.

Allowance for Loan Losses. The allowance for loan losses ("allowance") is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance based on potential losses in the current loan portfolio, which includes an assessment of economic conditions, changes in the nature and volume of the loan portfolio, loan loss experience, volume and severity of past due, classified and nonaccrual loans as well as other loan modifications, quality of the Company's loan review system, the degree of oversight by the Company's Board, existence and effect of any concentrations of credit and changes in the level of such concentrations, effect of external factors, such as competition and legal and regulatory requirements, and other relevant factors. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making evaluations. Additions are made to the allowance through periodic provisions charged to income and recovery of principal and interest on loans previously charged-off. Losses of principal are charged directly to the allowance when a loss occurs or when a determination is made that the specific loss is probable. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. A loan is considered impaired when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due for principal and interest according to the original contractual terms of the loan agreement. Generally, management considers all substandard, doubtful, and loss-rated loans, nonaccrual loans, and TDRs for impairment. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The maximum period without payment that typically can occur before a loan is considered for impairment is 90 days. Impairment is measured based on the present value of expected future cash flows discounted at a loan's effective interest rate, or as a practical expedient, the observable market price, or, if the loan is collateral dependent, the fair value of the underlying collateral. When the measurement of an impaired loan is less than the recorded investment in the loan, the impairment is recorded in a specific valuation allowance. This specific valuation allowance is periodically adjusted for significant changes in the amount or timing of expected future cash flows, observable market price or fair value of the collateral. The specific valuation allowance, or allowance for impaired loans, is part of the total allowance for loan losses. Cash payments received on impaired loans that are considered nonaccrual are recorded as a direct reduction of the recorded investment in the loan. When the recorded investment has been fully collected, receipts are recorded as recoveries to the allowance for loan losses until the previously charged-off principal is fully recovered. Subsequent amounts collected are recognized as interest income. If no charge-off exists, then once the recorded investment has been fully collected, any future amounts collected would be recognized as interest income. Impaired loans are not returned to accrual status until all amounts due, both principal and interest, are current and a sustained payment history has been demonstrated.

The general allowance component covers pools of homogeneous loans by loan class. Management determines historical loss experience for each segment of loans using the five-year rolling average of the net charge-off data within each segment. Qualitative and environmental factors are also considered that are likely to cause estimated credit losses associated with the Bank's existing portfolio to differ from historical loss experience, and include levels and trends in delinquency and impaired loans; levels and trends in net charge-offs, trends in volume and terms of loans; change in underwriting, policies, procedures, practices and key personnel; national and local economic trends; industry conditions, and effects of changes in high-risk credit circumstances. The qualitative and environmental factors are reviewed on a quarterly basis to ensure they are reflective of current conditions in the portfolio and economy. An unallocated component, which is a part of the general allowance component, is maintained to cover uncertainties that could affect the Company's estimate of probable losses.

Our allowance is sensitive to a number of inputs, most notably the qualitative factors and historical loss experience by loan segment. Given the dynamic relationship between the inputs, it is difficult to estimate the impact of a change in any one individual variable on the allowance. Although management believes that it uses the best information available to establish the allowance, future adjustments to the allowance may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Because future events affecting borrowers and collateral value cannot be predicted with certainty, there can be no assurance that the existing allowance is adequate or that increases will not be necessary should the quality of assets deteriorate as a result of the factors discussed previously. Any increase in the allowance may adversely affect our financial condition and results of operations. Changes in factors underlying the assessment could have a material impact on the amount of the allowance that is necessary and the amount of provision to be charged against earnings.

Fair Value Measurements. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the transaction date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A three-level of fair value hierarchy prioritizes the inputs used to measure fair value:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level

2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

This hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The Company attempts to maximize observable inputs and limit the use of unobservable inputs when developing fair value measurements, Fair value measurements for assets where there exists limited or no observable market data and that are based primarily upon the Company's or other third-party's estimates, are often calculated based on the characteristics of the asset, the economic and competitive environment and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset. Additionally, there may be inherent weaknesses in any calculation technique where changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future valuations.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Deemed to have an indefinite life and not subject to amortization, goodwill is instead tested for impairment at the reporting unit level at least annually on October 31 or more frequently if triggering events occur or impairment indicators exist. The Company operates two reporting units – Community Banking segment and Insurance Brokerage Services segment. The Company has assigned 100% of the goodwill to the Community Banking reporting unit.

Determining the fair value of a reporting unit under the goodwill impairment test is judgmental and often involves the use of significant estimates and assumptions. The Company applies a one-step quantitative test and records the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a step one impairment test is unnecessary. An entity also has the option to bypass the qualitative assessment for any reporting unit and proceed directly to the first step of impairment testing.

Two basic approaches to determine the fair value of an entity are the income approach and market approach or a combination of the two. The income approach uses valuation techniques to convert future earnings or cash flows to present value to arrive at a value that is indicated by market expectations about future amounts. The market approach uses observable prices and other relevant information that is generated by market transactions involving identical or comparable assets or liabilities. The fair value measure is based on the value that those transactions indicate. These approaches involve significant estimates and assumptions.

In the application of the income approach, fair value of a reporting unit is determined using a discounted cash flow ("DCF") analysis. The income approach relies on Level 3 inputs along with a market-derived cost of capital when measuring fair value. Fair value is determined by converting anticipated benefits into a present single value. Once the benefit or benefits are selected, an appropriate discount or capitalization rate is applied to each benefit. These rates are calculated using the appropriate measure for the size and type of company, using financial models and market data as required. A discount rate may be derived based on a modified capital asset pricing model. which is comprised of a risk-free rate of return, an equity risk premium, a size premium and a factor covering the systemic market risk and a company specific risk premium. The values for the factors applied are determined primarily using external sources of information. The DCF model also uses prospective financial information. Estimating future earnings and capital requirements involves judgment and the consideration of past and current performance and overall macroeconomic and regulatory environments.

Under the market approach, Level 1 and 2 inputs are used when measuring fair value. In the application of the market approach, the Guideline Public Company ("GPC") method of appraisal is based on the premise that pricing multiples of publicly traded companies can be used as a tool to be applied in valuing a closely held entity. A value multiple or ratio relates a stock's market price to the reported accounting data such as revenue, earnings, and book value. These ratios provide an objective basis for measuring the market's perception of a stock's fair value. Value ratios generally reflect the trends in growth, performance and stability of the financial results of operations. In this way, the business and financial risks exhibited by an industry or group of companies can be viewed in relation to market values. Value ratios also reflect the market's outlook for the economy as a whole. Guideline companies provide a reasonable basis for comparison to the relative investment characteristics of the company being valued. The Company analyzes the relationships between the guideline companies' asset size, profitability, asset quality and capital ratios and applies a control premium to the selected guideline company multiples. The control premium is management's estimate of how much a market participant would be willing to pay over the fair market value in consideration of synergies and other benefits that flow from control of the entity. The GPC method using trading activity of publicly traded companies that are most similar to the Company may also be considered when the banking industry has a sufficient level of mergers and acquisitions activity

The results of the income and market approaches may be weighted to determine the concluded fair value of the reporting unit. The weighting is judgmental and is based on the perceived level of appropriateness of the valuation methodology. Estimating the fair value involves the use of estimates and significant judgments that are based on a number of factors including actual operating results. If current conditions change from those expected, it is reasonably possible that the judgments and estimates described above could change in future periods and require management to further evaluate goodwill for impairment.

If the Company determines a triggering event occurs in the future, changes in the judgments, assumptions and inputs noted above could result in additional goodwill impairment.

Other-Than-Temporary Impairment. In estimating other-than-temporary impairment of securities, securities are evaluated on at least a quarterly basis to determine whether a decline in their value is other-than-temporary. In estimating other-than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) whether or not the Company intends to sell or expect that it is more likely than not that it will be required to sell the security before an anticipated recovery in fair value. Once a decline in value for a debt security is determined to be other than temporary, the other-than-temporary impairment is separated in (a) the amount of total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to credit loss is recognized in earnings. The amount of other-than-temporary impairment related to other factors is recognized in other comprehensive loss.

Deferred Tax Assets. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination, the term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date, and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company did not have a deferred tax asset valuation allowance as of December 31, 2022 and December 31, 2021.

Recent Accounting Pronouncements and Developments

New accounting pronouncements that were adopted in the current period or will be adopted in a future period are discussed in Note 1 – Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements, which is included in Part IV, Item 15 of this Report.

Branch Optimization and Operational Efficiency Initiative

In 2021, the Company announced the implementation of branch optimization and operational efficiency strategic initiatives to improve the Bank's financial performance and operations in order to position the Bank for continued profitable growth through the optimization of its branch network while expanding technology and infrastructure investments in its remaining locations. The decision was the result of a comprehensive internal study that measured branch performance by comparing financial and non-financial indicators to growth opportunities, while evolving changes in consumer preferences, largely driven by the global pandemic, led to an acceleration of branch optimization efforts. The Bank also completed a comprehensive review of its branch network and operating environment to identify solutions to improve operating performance. This review prioritized profitability, efficiency, infrastructure and client experience improvements, automation in operations, and digital marketing and technology investments and the Bank is in process of implementing operational efficiencies related to individualized processes within its branch network and operating environment.

The Bank has substantially completed these initiatives through the consolidation of six branches that was completed on June 30, 2021. In addition, CB Financial, Community Bank, and Citizens Bank of West Virginia, Inc. ("Citizens Bank") executed a Purchase and Assumption Agreement (the "Agreement") pursuant to which Citizens Bank agreed to purchase certain loans and other assets, and assume certain deposits and other liabilities, of the branch offices of Community Bank located in Buckhannon, West Virginia, and New Martinsville, West Virginia. The divestiture of two branches in December 2021 resulted in the sale of $102.8 million of deposits, $6.1 million of loans and $795,000 of premises and equipment and the recognition of a $5.2 million pre-tax gain on sale from a 5.0% premium paid by Citizens Bank on the assumed deposits. The branch optimization initiative reduced the Bank's branch network to 14 branches. The Company anticipates $3.0 million of ongoing pre-tax cost savings as a result of the branch optimization initiatives.

COVID-19 Pandemic

Although many health and safety restrictions have been lifted and vaccine distribution has increased, the ongoing COVID-19 pandemic has negatively impacted local, national and global economies and financial markets since March 2020. Economic activity and demand for goods and services, alongside labor shortages and supply chain complications, has also contributed to rising inflationary pressures. The extent to which the COVID-19 pandemic continues to impact our business, financial condition, liquidity, and results of operations will depend on future developments, which are highly uncertain and are difficult to predict

In response to the anticipated economic effects of COVID-19, the Board of Governors of the Federal Reserve took a number of actions that significantly affected the financial markets, including actions intended to result in substantial decreases in market interest rates. On March 15, 2020, the FRB reduced the target federal funds range by 100 basis points to 0% to 0.25% and have held the target federal funds rate in that range for the remainder of 2020 and throughout 2021. These reductions in interest rates, among other actions of the FRB and the Federal government generally, adversely affected our net interest income, compressed our margins and impacted our overall profitability. The reduction of interest rates to near zero in response to the effects of the COVID-19 pandemic were gradually reversed over the course of 2022 with increases totaling 425 bps due to FRB concerns with respect to inflation. The FRB has indicated it is committed to reducing inflation to its 2% objective. The magnitude and timing of further interest rate action is unknown.

Explanation of Use of Non-GAAP Financial Measures

In addition to traditional measures presented in accordance with generally accepted accounting principles ("GAAP"), we use, and this Report contains or references, certain non-GAAP financial measures. We believe these non-GAAP financial measures provide useful information in understanding our underlying results of operations or financial position and our business and performance trends as they facilitate comparisons with the performance of other companies in the financial services industry. Although we believe that these non-GAAP financial measures enhance the understanding of our business and performance, these non-GAAP financial measures should not be considered an alternative to GAAP or considered to be more important than financial results determined in accordance with GAAP, nor are they necessarily comparable with non-GAAP measures which may be presented by other companies. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found herein. Refer to the "Reconciliations of Non-GAAP Financial Measures to GAAP" within this Item 7 for further information.

Comparison of Financial Condition at December 31, 2022 and 2021

Assets. Total assets decreased $16.5 million, or 1.2%, to $1.41 billion at December 31, 2022, compared to $1.43 billion at December 31, 2021.

Cash and Due From Banks. Cash and due from banks decreased $16.0 million, or 13.3%, to $103.7 million at December 31, 2022, compared to $119.7 million at December 31, 2021. The change is primarily related to net funding of loans.

Securities. Securities decreased $34.9 million, or 15.5%, to $190.1 million at December 31, 2022, compared to $225.0 million at December 31, 2021. The securities balance was negatively impacted by a $32.3 million decrease in market value of the debt securities portfolio, primarily due to the increase in market interest rates. The current period activity included $26.8 million of purchases, $29.2 million of paydowns, and no sales. The purchases were made to improve yield on excess cash. In addition there was a $168,000 loss in market value in the equity securities portfolio, which is primarily comprised of bank stocks.

Securities Portfolio. The following table sets forth the composition of our securities portfolio at the dates indicated.

December 31,	2022 Amortized Cost	2022 Fair Value	2021 Amortized Cost	2021 Fair Value
(Dollars in Thousands)				
Available-for-Sale Debt Securities:				
U.S. Government Agencies	$ 53,993	$ 44,634	$ 53,992	$ 52,561
Obligations of States and Political Subdivisions	14,053	13,342	17,951	18,955
Mortgage-Backed Securities - Government-Sponsored Enterprises	46,345	41,427	55,373	56,559
Collateralized Mortgage Obligations - Government Sponsored Enterprises	96,930	79,642	88,493	86,583
Corporate Debt	9,487	8,315	7,481	7,450
Total Available-for-Sale Debt Securities	$ 220,808	187,360	$ 223,290	222,108
Equity Securities:				
Mutual Funds		875		990
Other		1,823		1,876
Total Equity Securities		2,698		2,866
Total Securities		$ 190,058		$ 224,974

Securities Portfolio Maturities and Yields. The composition and maturities of the debt securities portfolio at December 31, 2022, are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. The weighted average yield for each security category is determined by the security's book yield and calculating the interest earned divided by the carrying value. For tax free obligations of states and political subdivision, the book yield is the tax free yield.

	One Year or Less		More than One Year Through Five Years		More than Five Years Through Ten Years		More than Ten Years		Total	
	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
(Dollars in Thousands)										
U.S. Government Agencies	$ —	—%	$ 7,849	0.96%	$ 36,785	1.24%	$ —	—%	$ 44,634	1.19%
Obligations of States and Political Subdivisions	244	2.61	739	3.09	11,501	3.28	858	3.18	13,342	3.25
Mortgage Backed Securities - Government-Sponsored Enterprises	—	—	2,971	2.80	9,282	1.96	29,174	2.11	41,427	2.12
Collateralized Mortgage Obligations - Government-Sponsored Enterprises	—	—	—	—	—	—	79,642	1.52	79,642	1.52
Corporate Debt Securities	—	—	—	—	3,815	3.31	4,500	6.92	8,315	5.20
Total Debt Securities	$ 244	2.61%	$ 11,559	1.53%	$ 61,383	1.81%	$ 114,174	1.87%	$ 187,360	1.83%

Loans. Total loans increased $29.1 million, or 2.8%, to $1.05 billion at December 31, 2022 compared to $1.02 billion at December 31, 2021. Excluding the net decline of $24.4 million in PPP loans in the current period, loans increased $53.5 million. 2022 loan growth was experienced through net funding of $44.7 million in commercial real estate loans and $24.8

million in consumer loans, partially offset by the completion of $40.1 million in construction loans . Average loans for the year ended December 31, 2022 increased $4.7 million compared to the year ended December 31, 2021.

Loan Portfolio Composition. The following table sets forth the composition of the Company's loan portfolio by type of loan at the dates indicated. The Company did not have loans held for sale at the dates indicated below.

	2022		2021	
December 31,	**Amount**	**Percent**	**Amount**	**Percent**
(Dollars in Thousands)				
Real Estate:				
Residential	$ 330,725	31.5%	$ 320,798	31.4%
Commercial	436,805	41.6	392,124	38.5
Construction	44,923	4.3	85,028	8.3
Commercial and Industrial	70,044	6.7	89,010	8.7
Consumer	146,927	14.0	122,152	12.0
Other	20,449	1.9	11,684	1.1
Total Loans	1,049,873	100.0%	1,020,796	100.0%
Allowance for Loan Losses	(12,819)		(11,582)	
Loans, Net	$ 1,037,054		$ 1,009,214	

Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2022. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. For construction-to-permanent loans in the construction category, the maturity date is the date the loan matures once it is in permanent repayment status. Consumer loans consist primarily of indirect automobile loans whereby a portion of the rate is prepaid to the dealer and accrued in a prepaid dealer reserve account. Therefore, the true yield for the consumer loan portfolio is significantly less than the note rate disclosed below.

	Real Estate							
	Residential		Commercial		Construction		Commercial and Industrial	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in Thousands)								
One Year or Less	$ 16,317	7.40%	$ 19,485	6.40%	$ 4,177	7.85%	$ 14,118	7.02%
After One Year Through Five Years	7,410	4.32	60,700	5.62	17,772	6.75	33,240	4.92
After Five Years Through 15 Years	112,609	4.07	345,811	4.85	13,437	4.13	22,684	4.03
After 15 Years	194,389	3.84	10,809	3.90	9,537	3.82	2	7.50
Total	$ 330,725	4.10%	$ 436,805	5.00%	$ 44,923	5.44%	$ 70,044	5.05%

	Consumer		Other		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in Thousands)						
One Year or Less	$ 5,734	8.15%	$ 952	6.98%	$ 60,783	7.09%
After One Year Through Five Years	84,765	4.37	418	3.08	204,305	5.05
After Five Years Through 15 Years	54,958	5.00	16,645	3.48	566,144	4.62
After 15 Years	1,470	9.54	2,434	2.56	218,641	3.82
Total	$ 146,927	4.77%	$ 20,449	3.53%	$ 1,049,873	4.68%

The following table sets forth at December 31, 2022, the dollar amount of all fixed-rate and adjustable-rate loans due after December 31, 2023.

Due After December 31, 2023	**Fixed**	**Adjustable**	**Total**
(Dollars in Thousands)			
Real Estate:			
Residential	$ 267,046	$ 47,362	$ 314,408
Commercial	238,933	178,387	417,320
Construction	30,720	10,026	40,746
Commercial and Industrial	47,021	8,905	55,926
Consumer	141,157	36	141,193
Other	16,381	3,116	19,497
Total Loans	$ 741,258	$ 247,832	$ 989,090

Liabilities. Total liabilities increased $6.4 million, or 0.5%, to $1.30 billion at December 31, 2022 compared to $1.29 billion at December 31, 2021.

Deposits. Total deposits increased $41.9 million to $1.27 billion as of December 31, 2022 compared to $1.23 billion at December 31, 2021. Noninterest bearing demand deposits, NOW accounts and savings accounts increased $4.6 million, $39.3 million and $8.5 million, respectively, partially offset by a decrease of $27.6 million in time deposits. The increase in interest-bearing demand deposits is primarily the result of the transition of customer deposits from securities sold under agreements to repurchase product, which are related to business deposit customers whose funds, above designated target balances, are transferred into an overnight interest-earning investment account by purchasing securities from the Bank's investment portfolio under an agreement to repurchase.

The following table sets forth the distribution of our average deposit accounts, by account type, for the years indicated.

	2022			**2021**		
Year Ended December 31,	**Average Balance**	**Percent**	**Weighted Average Rate**	**Average Balance**	**Percent**	**Weighted Average Rate**
(Dollars in Thousands)						
Non-Interest Bearing Demand Deposits	$ 389,553	31.4%	—%	$ 378,374	29.8%	—%
NOW Accounts	282,850	22.8	0.48	272,256	21.4	0.09
Savings Accounts	248,334	20.0	0.04	247,864	19.5	0.04
Money Market Accounts	194,223	15.7	0.50	201,222	15.8	0.14
Time Deposits	124,817	10.1	1.28	171,805	13.5	1.46
Total Deposits	$ 1,239,777	100.0%	0.32%	$ 1,271,521	100.0%	0.25%

The following table sets forth time deposits classified by interest rate as of the dates indicated.

December 31,	**2022**	**2021**
(Dollars in Thousands)		
Less than 0.25%	$ 43,516	$ 39,573
0.25% to 0.49%	10,732	20,568
0.50% to 0.99%	7,721	10,943
1.00% to 1.49%	5,929	11,110
1.50% to 1.99%	4,717	7,561
2.00% to 2.49%	7,379	11,841
2.49% to 2.99%	12,779	13,427
3.00% to 3.99%	16,210	21,531
4.00% or Greater	143	159
Total Time Deposits	$ 109,126	$ 136,713

The following table sets forth, by interest rate ranges and scheduled maturity, information concerning our time deposits at the date indicated.

December 31, 2022	Period to Maturity							
	Less Than Or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three to Four Years	More Than Four to Five Years	More Than Five Years	Total	Percent of Total
(Dollars in Thousands)								
Less than 0.25%	$ 30,789	$ 9,926	$ 1,185	$ 1,535	$ 81	$ —	$ 43,516	39.9 %
0.25% to 0.49%	1,071	760	785	4,686	3,430	—	10,732	9.8
0.50% to 0.99%	514	669	3,844	138	195	2,361	7,721	7.1
1.00% to 1.49%	2,748	1,275	1,430	202	—	274	5,929	5.4
1.50% to 1.99%	1,281	836	788	1,579	129	104	4,717	4.3
2.00% to 2.49%	4,659	1,753	166	31	234	536	7,379	6.8
2.49% to 2.99%	12,298	95	386	—	—	—	12,779	11.7
3.00% to 3.99%	15,852	285	73	—	—	—	16,210	14.9
4.00% or Greater	143	—	—	—	—	—	143	0.1
Total	$ 69,355	$ 15,599	$ 8,657	$ 8,171	$ 4,069	$ 3,275	$ 109,126	100.0 %

As of December 31, 2022 and 2021, the aggregate estimated amount of outstanding deposits in amounts uninsured by the FDIC, or that were not secured by the Bank through the pledging of securities, FHLB letters of credit or other means, was approximately $368.1 million and $337.9 million, respectively. The estimates are based on the same methodologies and assumptions used for the Bank's regulatory reporting requirements. Of the amount at December 31, 2022, an estimated $6.5 million are uninsured time deposits and the following table sets forth their maturity.

December 31,	2022
(Dollars in Thousands)	
Three Months or Less	$ 348
Over Three Months to Six Months	1,345
Over Six Months to One Year	1,847
Over One Year	2,968
Total	$ 6,508

Borrowed Funds

- ***Short-term borrowings.*** Short-term borrowings decreased $31.2 million, or 79.5%, to $8.1 million at December 31, 2022, compared to $39.3 million at December 31, 2021. At December 31, 2022 and December 31, 2021, short-term borrowings were comprised entirely of securities sold under agreements to repurchase, which are related to business deposit customers whose funds, above designated target balances, are transferred into an overnight interest-earning investment account by purchasing securities from the Bank’s investment portfolio under an agreement to repurchase. A majority of the decrease was due to accounts that were transitioned into other deposit products and account for most of the interest-bearing demand deposit increase.
- ***Other borrowed funds.*** Other borrowed funds decreased $3.0 million to $14.6 million at December 31, 2022 due to $3.0 million of Federal Home Loan Bank borrowings that matured in the current period. The Company intends to utilize the subordinated debt proceeds to continue to proactively repurchase shares or for other general corporate matters.

Stockholders’ Equity. Stockholders’ equity decreased $23.0 million, or 17.3%, to $110.2 million at December 31, 2022, compared to $133.1 million at December 31, 2021.

- Accumulated other comprehensive loss increased $25.3 million primarily due to market interest rate conditions in the current period on the Bank’s available-for-sale debt securities.
- Net income was $11.2 million for the year ended December 31, 2022.
- The Company paid $4.9 million in dividends to common stockholders in the current year.

- Primarily as part of the Company’s $10.0 million stock repurchase program previously announced in April 2022, and the completion of the $7.5 million repurchase program announced in June 2021, the Company repurchased 195,033 shares of common stock totaling $4.8 million in the current year. In connection with the current program, the Company purchased a total of 62,178 shares of the Company’s common stock at an average price of $22.47 per share, with $8.6 million remaining in the program.
- Book value per share was $21.60 at December 31, 2022 compared to $25.31 at December 31, 2021, a decrease of $3.71. Tangible book value per share (Non-GAAP) decreased $3.45, or 15.4%, to $19.00 compared to $22.45 at December 31, 2021. Refer to “Explanation of Use of Non-GAAP Financial Measures” at the end of this section.

Comparison of Operating Results for the Years Ended December 31, 2022 and 2021

Overview. **2022** Annual Results were impacted by the following significant items:

- Recurring Fed interest rate increases during 2022 resulted in an increase in net interest income of $2.8 million.
- There was a commercial loan charge off in the second quarter and resulted in a $3.8 million provision.

2021 Annual Results were impacted by the following significant non-recurring items:

- The branch optimization and operational efficiency initiatives resulted in $7.5 million of restructuring-related and other expenses for the year ended December 31, 2021. The non-recurring expenses include a $2.3 million writedown on premises and equipment and $1.2 million impairment of intangible assets associated with the branch sales. The Company also incurred $4.1 million of expenses related to contracted services, employee severance costs, branch lease impairment, professional fees, data processing fees, charitable donations, legal and other expenses for the year ended December 31, 2021 related to these initiatives.
- The Company recognized a $5.2 million pre-tax gain on sale of branches related to the 5.0% premium paid by Citizens Bank on the assumed deposits.

Net Interest Income. Net interest income increased $2.8 million, or 6.9%, to $42.9 million for the year ended December 31, 2022 compared to $40.2 million for the year ended December 31, 2021. Net interest margin (Non-GAAP FTE) increased 31 bps to 3.25% for the year ended December 31, 2022 compared to 2.94% the year ended December 31, 2021. Net interest margin (GAAP) increased to 3.24% for the year ended December 31, 2022 compared to 2.92% for the year ended December 31, 2021. The net interest margin increased primarily due to the higher interest rate environment increasing yields on loans more than the yield on interest-bearing deposits.

Interest and dividend income increased $4.2 million, or 9.5%, to $47.7 million for the year ended December 31, 2022 compared to $43.6 million for the year ended December 31, 2021.

- Interest income on loans increased $2.2 million, or 5.6%, to $41.9 million for the year ended December 31, 2022 compared to $39.7 million for the year ended December 31, 2021. Average loans increased $4.7 million while the loan yield for the year ended December 31, 2022 increased 20 bps to 4.12% for the year ended December 31, 2022 compared to 3.92% for the year ended December 31, 2021 due to the increases of market interest rates this year compared to a full year impact of the COVID-19 pandemic-related declines in market interest rates beginning in March 2020. Interest and fee income on PPP loans was $734,000 for the year ended December 31, 2022 and contributed 5 bps to loan yield, compared to $2.2 million for the year ended December 31, 2021, which contributed loan yield 4 bps in the prior period. The impact of the accretion of the credit mark on acquired loan portfolios was $239,000 for the year ended December 31, 2022 compared to $468,000 for the year ended December 31, 2021, or 2 bps in the current period compared to 4 bps in the prior period.
- Interest income on taxable investment securities increased $862,000, or 28.8%, to $3.9 million for the year ended December 31, 2022 compared to $3.0 million for the year ended December 31, 2021. While average investment securities increased $57.8 million, there was a 9 bps decrease in average yield. There were sales of securities in 2021 that were higher-interest securities, which were replaced by lower-interest securities that decreased the yield year over year.
- Interest income on tax-exempt investment securities decreased $76,000, or 26.3%, to $213,000 for the year ended December 31, 2022 compared to $289,000 for the year ended December 31, 2021 primarily driven by a decrease of $3.4 million in average balance from municipal securities calls.
- Interest from other interest-earning assets, which primarily consists of interest-earning cash, increased $1.1 million, or 232.0% for the year ended December 31, 2022 compared to the year ended December 31, 2021. Interest and dividend income earned on other interest-earning assets, which is primarily composed of restricted stock, decreased $32,000. Average interest bearing deposits at other banks decreased $107.0 million, primarily related to funds received from deposit and loan activity, there was however a $1.1 million increase in interest income due to an increase in Fed interest rates that resulted in a 191 bps increase in average yield.

Interest expense increased $1.4 million, or 40.4%, to $4.8 million for the year ended December 31, 2022 compared to $3.4 million for the year ended December 31, 2021.

- Interest expense on deposits increased $900,000, or 28.8%, to $4.0 million for the year ended December 31, 2022 compared to $3.1 million for the year ended December 31, 2021. While average interest-bearing deposits decreased $42.9 million, interest rate increases for all products driven by post-pandemic Fed interest rate increases resulting in a 12 bps increase in average cost compared to the year ended December 31, 2021.
- Interest expense on short-term borrowings decreased $35,000, or 35.7%, to $63,000 for the year ended December 31, 2022 compared to $98,000 for the year ended December 31, 2021 primarily due to the transition of sweep accounts into other deposit products.
- Interest expense on other borrowed funds increased $511,000, or 280.8%, to $693,000 for the year ended December 31, 2022 compared to $182,000 for the year ended December 31, 2021 primarily due to the issuance of $15.0 million in subordinated debt, partially offset by a $3.0 million payoff of an FHLB borrowing, which resulted in a $10.4 million increase in average balances.

Provision for Loan Losses. The provision for loan losses was $3.8 million for the year ended December 31, 2022, compared to a $1.1 million recovery for the year ended December 31, 2021. Net charge-offs for the year ended December 31, 2022 were $2.5 million primarily from one commercial and industrial loan that impacted the loss history for the category. The prior year recovery was the result of improvement in overall economic conditions thereby improving corresponding qualitative factors that were previously negatively impacted by the COVID-19 pandemic.

Noninterest Income. The breakdown of noninterest income for the year ended December 31, 2022 compared to year ended December 31, 2021 is as follows:

	Year Ended December 31,			
	2022	**2021**	**Dollar Change**	**Percent Change**
(Dollars in Thousands)				
Service Fees	$ 2,160	$ 2,331	$ (171)	(7.3)%
Insurance Commissions	5,934	5,616	318	5.7 %
Other Commissions	669	521	148	28.4 %
Net Gain on Sales of Loans	—	1,143	(1,143)	(100.0)%
Net (Loss) Gain on Securities	(168)	526	(694)	(131.9)%
Net Gain on Purchased Tax Credits	57	70	(13)	(18.6)%
Gain on Sale of Branches	—	5,203	(5,203)	(100.0)%
Net Gain (Loss) on Disposal of Fixed Assets	431	(3)	434	14466.7 %
Income from Bank-Owned Life Insurance	561	553	8	1.4 %
Other Income	176	320	(144)	(45.0)%
Total Noninterest Income	$ 9,820	$ 16,280	$ (6,460)	(39.7)%

Noninterest income decreased $6.5 million, or 39.7%, to $9.8 million for the year ended December 31, 2022, compared to $16.3 million for the year ended December 31, 2021.

- Insurance commissions increased $318,000, or 5.7%, to $5.9 million for the year ended December 31, 2022, compared to $5.6 million for the year ended December 31, 2021 due to an increase in core business, including both personal and commercial lines.
- There was no net gain on sales of loans for the year ended December 31, 2022 compared to $1.1 million for the year ended December 31, 2021 due to a change in strategy to keep all loans made in 2022. There were no gains from sales of mortgage loans for the year ended December 31, 2022 compared to $1.1 million for the year ended December 31, 2021.
- Net loss on securities was $168,000 for the year ended December 31, 2022, compared to a gain of $526,000 for the year ended December 31, 2021. There were no sales of securities in the current period compared to sales that resulted in a gain of $231,000 in the prior period. The Company’s equity securities, which are primarily comprised of bank

stocks, reflected a decline in value of $168,000 for the current period compared to a gain of $295,000 in value in the prior period primarily from a change in market value of these securities as a result of changes in interest rates.

- The Company recorded a $431,000 net gain on disposal of fixed assets in the current year, resulting from the sale of two former branch locations.
- The Company recognized a $5.2 million pre-tax gain on sale of branches in the prior period related to the 5.0% premium paid by Citizens Bank on the assumed deposits.
- There was a $144,000 decrease in other income primarily due to a $99,000 valuation allowance adjustment on mortgage servicing rights in the current period as a result of a decrease in prepayment speeds resulting in an increase in the fair value of the serviced mortgage portfolio.

Noninterest Expense. The breakdown of noninterest expense for the year ended December 31, 2022 compared to year ended December 31, 2021 is as follows:

	Year Ended December 31,			
(Dollars in Thousands)	**2022**	**2021**	**Dollar Change**	**Percent Change**
Salaries and Employee Benefits	$ 18,469	$ 19,938	$ (1,469)	(7.4)%
Occupancy	3,047	2,968	79	2.7 %
Equipment	739	1,034	(295)	(28.5)%
Data Processing	2,152	2,154	(2)	(0.1)%
FDIC Assessment	638	1,014	(376)	(37.1)%
PA Shares Tax	979	887	92	10.4 %
Contracted Services	1,628	4,011	(2,383)	(59.4)%
Legal and Professional Fees	1,237	994	243	24.4 %
Advertising	527	749	(222)	(29.6)%
Other Real Estate Owned (Income)	(151)	(183)	32	(17.5)%
Amortization of Intangible Assets	1,782	1,926	(144)	(7.5)%
Intangible Assets and Goodwill Impairment	—	1,178	(1,178)	(100.0)%
Writedown of Premises and Equipment	—	2,293	(2,293)	(100.0)%
Other	3,844	3,899	(55)	(1.4)%
Total Noninterest Expense	$ 34,891	$ 42,862	$ (7,971)	(18.6)%

Noninterest expense decreased $8.0 million, or 18.6%, to $34.9 million for the year ended December 31, 2022 compared to $42.9 million for the year ended December 31, 2021. This was primarily impacted by $7.5 million of expenses associated with the branch optimization and operational efficiency initiatives in the prior year, which included writedown on premises and equipment of $2.3 million and intangible asset impairment of $1.2 million.

- Salaries and employee benefits decreased $1.5 million to $18.5 million for the year ended December 31, 2022 compared to $19.9 million for the year ended December 31, 2021. The decrease was primarily related to the branch optimization that included the consolidation of six branches and the divestiture of two in the prior year.
- Occupancy expense increased $79,000 to remain constant at $3.0 million for the years ended December 31, 2022 and 2021 respectively. The increase was related to building maintenance costs and utilities, partially offset by the prior year recognition of a $227,000 lease impairment related to the branch optimization initiative.
- Equipment expense decreased $295,000 to $739,000 for the year ended December 31, 2022 compared to $1.0 million for the year ended December 31, 2021 as the result of a decrease in repairs and maintenance.
- FDIC assessment expense decreased $376,000 to $638,000 for the year ended December 31, 2022 compared to $1.0 million for the year ended December 31, 2021. The decrease in assessment was due to an increase in nonperforming loans negatively impacting the quarterly assessment rates in the prior period.
- Contracted services decreased $2.4 million to $1.6 million for the year ended December 31, 2022 compared to $4.0 million for the year ended December 31, 2021. The prior period had activity of $2.8 million, and included expense

related to the engagement of a third-party expert to improve workflow as well as implement more effective sales management techniques designed to improve operational efficiencies in the near and long-term and engagement of other third party specialists to assist in core platform improvements and efficiencies.. This was partially offset by $319,000 of employee recruiter fees and $203,000 of core conversion consultant fees.

- Legal fees and professional fees increased $243,000 to $1.2 million for the year ended December 31, 2022 compared to $994,000 for the year ended December 31, 2021 due to increases in consultant services related to regulatory reporting and validation of the CECL model, and the FDICIA control project to strengthen the Company's internal control structure.
- Advertising decreased $222,000 to $527,000 for the year ended December 31, 2022 compared to $749,000 for the year ended December 31, 2021 due to a decrease in marketing initiatives in the prior year during the pandemic.
- Other real estate owned income decreased $32,000 to $151,000 for the year ended December 31, 2022 compared to $183,000 for the year ended December 31, 2021 primarily due to an $80,000 gain on sale of a property sold in the prior period.
- Amortization of intangible assets decreased $144,000 to $1.8 million for the year ended December 31, 2022 compared to $1.9 million for the year ended December 31, 2021 primarily due to current period impairment in core deposit intangible asset from the branch sales, which reduced the remaining amount of intangible assets to amortize.
- Within other noninterest expense, charitable contributions decreased $150,000 due to the prior year donation of a former branch office location. Loan expenses increased $148,000 primarily due to appraisal fees and credit reports related to an increase in indirect loan volume in the current period.

Income Tax Expense. Income tax expense decreased $292,000 to $2.8 million for the year ended December 31, 2022, compared to $3.1 million for the year ended December 31, 2021 and is primarily attributed to a write down in premises and equipment and intangible assets.

Average Balances and Yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the years indicated. Tax-equivalent yield adjustments have been made for tax exempt loan and securities income utilizing a marginal federal income tax rate of 21% for 2022 and 2021. All average balances are daily average balances. Non-accrual loans are included in the computation of average balances only. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	2022			2021		
Year Ended December 31,	**Average Balance**	**Interest and Dividends**	**Yield/ Cost**	**Average Balance**	**Interest and Dividends**	**Yield/ Cost**
(Dollars in Thousands)						
Assets:						
Interest-Earning Assets:						
Loans, Net (1)	$1,019,124	$ 42,010	4.12 %	$1,014,405	$ 39,799	3.92 %
Securities						
Taxable	220,818	3,852	1.74	162,987	2,990	1.83
Tax Exempt	8,383	270	3.22	11,829	366	3.09
Equity Securities	2,693	91	3.38	2,657	84	3.16
Interest Bearing Deposits at Other Banks	70,765	1,473	2.08	177,768	304	0.17
Other Interest-Earning Assets	3,092	154	4.98	3,733	186	4.98
Total Interest-Earning Assets	1,324,875	47,850	3.61	1,373,379	43,729	3.18
Noninterest-Earning Assets	81,553			91,075		
Total Assets	$1,406,428			$1,464,454		
Liabilities and Stockholders' equity:						
Interest-Bearing Liabilities:						
Interest-Bearing Demand Deposits	$ 282,850	$ 1,362	0.48 %	$ 272,256	$ 232	0.09 %
Savings	248,334	88	0.04	247,864	98	0.04
Money Market	194,223	976	0.50	201,222	281	0.14
Time Deposits	124,817	1,599	1.28	171,805	2,514	1.46
Total Interest-Bearing Deposits	850,224	4,025	0.47	893,147	3,125	0.35
Short-term Borrowings:						
Securities Sold Under Agreement to Repurchase	27,360	63	0.23	43,988	98	0.22
Other Borrowed Funds	17,609	693	3.94	7,172	182	2.54
Total Interest-Bearing Liabilities	895,193	4,781	0.53	944,307	3,405	0.36
Noninterest-Bearing Demand Deposits	389,553			378,374		
Other Liabilities	4,072			8,168		
Total Liabilities	1,288,818			1,330,849		
Stockholders' Equity	117,610			133,605		
Total Liabilities and Stockholders' Equity	$1,406,428			$1,464,454		
Net Interest Income (FTE) (Non-GAAP) (2)		$ 43,069			$ 40,324	
Net Interest Rate Spread (FTE) (Non-GAAP) (2)(3)			3.08			2.82
Net Interest-Earning Assets (4)	$ 429,682			$ 429,072		
Net Interest Margin (FTE) (Non-GAAP) (2)(5)			3.25			2.94
Return on Average Assets			0.80			0.79
Return on Average Equity			9.56			8.66
Average Equity to Average Assets			8.36			9.12
Average Interest-Earning Assets to Average Interest-Bearing Liabilities			148.00			145.44
PPP Loans	$ 5,666	$ 734	12.95	$ 45,905	$ 2,189	4.77

(1) Net of the allowance for loan losses and includes nonaccrual loans with a zero yield

(2) Refer to Explanation of Use of Non-GAAP Financial Measures in this Report for the calculation of the measure and reconciliation to the most comparable GAAP measure.

(3) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities. Net interest rate spread (GAAP) was 3.07% and 2.81% for the year ended December 31, 2022 and 2021, respectively

(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by average total interest-earning assets. Net interest margin (GAAP) was 3.24% and 2.92% for the year ended December 31, 2022 and 2021, respectively

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. There were no out of period items that occurred this past year.

	Year Ended December 31, 2022 Compared To Year Ended December 31, 2021		
	Increase (Decrease) Due to		
(Dollars in Thousands)	Volume	Rate	Total
Interest and Dividend Income:			
Loans, net	$ 174	$ 2,037	$ 2,211
Securities:			
Taxable	1,015	(153)	862
Tax-Exempt	(111)	15	(96)
Equity Securities	1	6	7
Interest Bearing Deposits at Other Banks	(286)	1,455	1,169
Other Interest-Earning Assets	(32)	—	(32)
Total Interest-Earning Assets	761	3,360	4,121
Interest Expense:			
Deposits	(126)	1,026	900
Short-Term Borrowings:			
Securities Sold Under Agreements to Repurchase	(39)	4	(35)
Other Borrowed Funds	371	140	511
Total Interest-Bearing Liabilities	206	1,170	1,376
Change in Net Interest Income	$ 555	$ 2,190	$ 2,745

Asset Quality

Nonperforming Assets and Delinquent Loans. The Company reviews its loans on a regular basis and generally places loans on nonaccrual status when either principal or interest is 90 days or more past due. In addition, the Company places loans on nonaccrual status when we do not expect to receive full payment of interest, principal or both. Interest accrued and unpaid at the time a loan is placed on nonaccrual status is reversed from interest income. Loans that are 90 days or more past due may still accrue interest if they are well secured and in the process of collection. Payments received on nonaccrual loans are applied against principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, and current and future payments are reasonably assured.

Management monitors all past due loans and nonperforming assets. Such loans are placed under close supervision, with consideration given to the need for additions to the allowance for loan losses and (if appropriate) partial or full charge-off.

Management believes the volume of nonperforming assets can be partially attributed to unique borrower circumstances as well as the economy in general. We have an experienced chief credit officer, collections and credit departments that monitor the loan portfolio and seek to prevent any deterioration of asset quality.

Real estate acquired through foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until such time as it is sold. When real estate owned is acquired, it is recorded at the lower of the unpaid principal balance of the related loan, or its fair market value, less estimated selling expenses. Any further write-down of real estate owned is charged against earnings.

Nonaccrual Loans and Nonperforming Assets. The following table sets forth the amounts and categories of our nonperforming assets at the dates indicated. Included in nonperforming loans and assets are troubled debt restructurings, which are loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties.

December 31,	**2022**	**2021**
(Dollars in Thousands)		
Nonaccrual loans:		
Real Estate:		
Residential	$ 1,649	$ 1,393
Commercial	1,814	2,058
Commercial and Industrial	415	1,496
Consumer	120	16
Total Nonaccrual Loans	3,998	4,963
Accruing Loans Past Due 90 Days or More:		
Consumer	—	—
Total Accruing Loans 90 Days or More Past Due	—	—
Total Nonaccrual Loans and Accruing Loans 90 Days or More Past Due	3,998	4,963
Troubled Debt Restructurings, Accruing		
Real Estate		
Residential	534	613
Commercial	1,260	1,674
Commercial and Industrial	7	16
Total Troubled Debt Restructurings, Accruing	1,801	2,303
Total Nonperforming Loans	5,799	7,266
Real Estate Owned:		
Residential	—	36
Commercial	—	—
Total Real Estate Owned	—	36
Total Nonperforming Assets	$ 5,799	$ 7,302
Nonaccrual Loans to Total Loans	0.38%	0.49%
Nonperforming Loans to Total Loans	0.55	0.71
Nonperforming Assets to Total Assets	0.41	0.51

At December 31, 2022, we had no loans 90 days or more past due that were still accruing interest. At December 31, 2022, we had no loans that were not classified as nonaccrual, 90 days past due or troubled debt restructurings where known information about possible credit problems of borrowers caused management to have serious concerns as to the ability of the borrowers to comply with present loan repayment terms and that may result in disclosure as nonaccrual, 90 days past due or troubled debt restructurings.

Nonperforming assets decreased $1.5 million to $5.8 million at December 31, 2022, compared to $7.3 million at December 31, 2021. Nonperforming loans decreased $1.5 million to $5.8 million at December 31, 2022 compared to $7.3 million at December 31, 2021. The respective decreases are primarily attributable to the full payoff in the current year of one of the Bank's larger nonperforming commercial and industrial relationships.

The following table presents the components of the ratio of nonaccrual loans to total loans at the dates indicated.

	2022			2021		
December 31,	Nonaccrual Loans	Total Loans	Nonaccrual Loans to Total Loans	Nonaccrual Loans	Total Loans	Nonaccrual Loans to Total Loans
(Dollars in Thousands)						
Real Estate:						
Residential	$ 1,649	$ 330,725	0.50%	$ 1,393	$ 320,798	0.43%
Commercial	1,814	436,805	0.42	2,058	392,124	0.52
Construction	—	44,923	—	—	85,028	—
Commercial and Industrial	415	70,044	0.59	1,496	89,010	1.68
Consumer	120	146,927	0.08	16	122,152	0.01
Other	—	20,449	—	—	11,684	—
Total	$ 3,998	$ 1,049,873	0.38%	$ 4,963	$ 1,020,796	0.49%

Nonaccrual loans decreased $1.0 million to $4.0 million at December 31, 2022 compared to $5.0 million at December 31, 2021. Nonaccrual commercial real estate loans decreased $244,000 to $1.8 million at December 31, 2022 compared to $2.1 million at December 31, 2021 primarily related to the full payoff in the current year of one of the Bank's nonperforming commercial and industrial relationships.

Loans in Forbearance. Section 4013 of the CARES Act and regulatory guidance promulgated by federal banking regulators provides temporary relief from accounting and financial reporting requirements for TDRs regarding certain loan modifications related to COVID-19. Specifically, the CARES Act provides that the Bank may elect to suspend the requirements under GAAP for certain loan modifications that would otherwise be categorized as a TDR and suspend any determination that such loan modifications would be considered a TDR, including the related impairment for accounting purposes. As such, the applicable loans are reported as current with regard to payment status and continue to accrue interest during the payment deferral period. The Company worked with its borrowers impacted by COVID-19 to defer payments. The Bank provided borrower support and relief through short-term loan forbearance options by primarily allowing: (a) deferral of three- to six-months of payments; or (b) for consumer loans not secured by a real estate mortgage, three months of interest-only payments that also extends the maturity date of the loan by three months. In certain circumstances, additional deferral periods were granted.

There were no loans in forbearance as of December 31, 2022. At December 31, 2021, there was one loan in forbearance for a $1.9 million commercial real estate loan secured by a hotel, which was considered a troubled debt restructuring upon providing an additional forbearance period and modified payment terms. The loan was substandard rated at December 31, 2022 and 2021, respectively, and designated as a nonaccrual loan in 2021.

Classified Assets. Federal regulations provide that loans and other assets of lesser quality should be classified as "substandard," "doubtful" or "loss" assets. An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the "distinct possibility" that the Company will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets is not warranted. The Company designates an asset as "special mention" if the asset has a potential weakness that warrants management's close attention.

The Company uses an eight-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first four categories are not considered criticized and are aggregated as "pass" rated. The criticized rating categories used by management generally follow bank regulatory definitions. The special mention category includes assets that are currently protected but are below average quality, resulting in an undue credit risk, but not to the point of justifying a substandard classification. Loans in the substandard category have well-defined weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. Loans classified as doubtful have all the weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as loss are considered uncollectible and of such little value that continuance as an asset is not warranted.

As part of the periodic exams of the Bank by the FDIC and the Pennsylvania Department of Banking and Securities, the staff of such agencies reviews our classifications and determines whether such classifications are adequate. Such agencies have, in the past, and may in the future require us to classify certain assets which management has not otherwise classified or require a classification more severe than established by management. The following table shows the principal amount of special mention and classified loans at December 31, 2022 and 2021.

December 31,	**2022**	**2021**
(Dollars in Thousands)		
Special Mention	$ 43,804	$ 55,579
Substandard	14,499	15,069
Doubtful	415	512
Loss	—	—
Total	$ 58,718	$ 71,160

The total amount of special mention and classified loans decreased $12.4 million, or 17.5%, to $58.7 million at December 31, 2022, compared to $71.2 million at December 31, 2021. The decrease of $570,000 in the substandard category as of December 31, 2022 compared to December 31, 2021 was mainly from the full payoff in the current year of one of the Bank's nonperforming commercial and industrial loan relationships. The decrease of $11.8 million in the special mention loan category is primarily due to commercial real estate and commercial and industrial loan upgrades and payoffs, and a $2.7 million commercial and industrial charge-off.

Allowance for Loan Losses. The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance based on losses in the current loan portfolio, which includes an assessment of economic conditions, changes in the nature and volume of the loan portfolio, loan loss experience, volume and severity of past due, classified and nonaccrual loans as well as other loan modifications, quality of the Company's loan review system, the degree of oversight by the Company's Board, existence and effect of any concentrations of credit and changes in the level of such concentrations, effect of external factors, such as competition and legal and regulatory requirements and other relevant factors. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making evaluations. Additions are made to the allowance through periodic provisions charged to income and recovery of principal and interest on loans previously charged-off. Losses of principal are charged directly to the allowance when a loss occurs or when a determination is made that the specific loss is probable. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

Although we maintain our allowance for loan losses at a level that we consider to be adequate to provide for potential losses, there can be no assurance that such losses will not exceed the estimated amounts or that we will not be required to make additions to the allowance for loan losses in the future. Future additions to our allowance for loan losses and changes in the related ratio of the allowance for loan losses to nonperforming loans are dependent upon the economy, changes in real estate values and interest rates, the view of the regulatory authorities toward adequate loan loss reserve levels, and inflation. Management will continue to periodically review the entire loan portfolio to determine the extent, if any, to which further additional loan loss provisions may be deemed necessary.

Analysis of the Allowance for Loan Losses. The following table summarizes changes in the allowance for loan losses by loan categories for each year indicated and additions to the allowance for loan losses, which have been charged to operations. Loans acquired in connection with mergers were recorded at their estimated fair value at the acquisition date and did not include a carryover of the pre-merger allowance for loan losses.

Year Ended December 31,	**2022**	**2021**
(Dollars in Thousands)		
Balance at Beginning of Year	$ 11,582	$ 12,771
Provision for Loan Losses	3,784	(1,125)
Charge-offs:		
Real Estate:		
Residential	(32)	(13)
Commercial	—	(40)
Construction	—	—
Commercial and Industrial	(2,712)	—
Consumer	(151)	(213)
Other	—	—
Total Charge-offs	(2,895)	(266)
Recoveries:		
Real estate:		
Residential	145	17
Commercial	—	—
Construction	—	—
Commercial and Industrial	117	43
Consumer	86	142
Other	—	—
Total Recoveries	348	202
Net Charge-offs	(2,547)	(64)
Balance at End of Year	$ 12,819	$ 11,582
Allowance for Loan Losses to Total Loans	1.22%	1.13%
Allowance for Loan Losses to Nonaccrual Loans	320.64	233.37
Allowance for Loan Losses to Nonperforming Loans	221.06	159.40
Net Charge-offs to Average Loans	0.25	0.01

The allowance for loan losses increased $1.2 million, or 10.7%, to $12.8 million at December 31, 2022, compared to $11.6 million at December 31, 2021. Allowance for loan losses to total loans increased 9 basis points to 1.22% at December 31, 2022 compared to 1.13% at December 31, 2021. There was a large charge-off of one loan in the commercial and industrial pool that affected the loss rates, and caused an additional provision to be recorded. These factors primarily resulted in a $3.8 million of provision for loan losses for the year ended December 31, 2022 compared to a $1.1 million recovery for loan losses for the year ended December 31, 2021.

The ratio of allowance for loan losses to nonaccrual loans ratio increased to 320.64% at December 31, 2022, compared to 233.37% at December 31, 2021. Nonaccrual loans decreased $1.0 million to $4.0 million at December 31, 2022 compared to $5.0 million at December 31, 2021. Nonaccrual commercial real estate loans decreased $244,000 to $1.8 million at December 31, 2022 compared to $2.1 million at December 31, 2021 primarily related to the full payoff in the current year of one of the Bank’s nonperforming commercial and industrial loan relationships.

Net charge-offs were $2.5 million or 0.25% to average loans, during 2022 compared to $64,000, or 0.01% to average loans, during 2021. The decrease was primarily related to the $2.9 million commercial and industrial loan charge-off in the current year. The following table presents the ratio of net charge-offs (recoveries) as a percent of average loans for the periods indicated.

Year Ended December 31,	2022	2021
Real Estate:		
Residential	(0.03)%	— %
Commercial	—	0.01
Construction	—	—
Commercial and Industrial	3.90	(0.04)
Consumer	0.04	0.06
Other	—	—
Total Loans	0.25 %	0.01 %

Allocation of Allowance for Loan Losses. The following table sets forth the allocation of allowance for loan losses by loan category at the dates indicated. The table reflects the allowance for loan losses as a percentage of total loans receivable. Management believes that the allowance can be allocated by category only on an approximate basis. The allocation of the allowance by category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any category.

	2022		2021	
December 31,	Amount	Percent of Total Loans(1)	Amount	Percent of Total Loans(1)
(Dollars in Thousands)				
Real Estate:				
Residential	$ 2,074	31.5%	$ 1,420	31.4%
Commercial	5,810	41.6	5,960	38.5
Construction	502	4.3	1,249	8.3
Commercial and Industrial	2,313	6.7	1,151	8.7
Consumer	1,517	14.0	1,050	12.0
Other	—	1.9	—	1.1
Total Allocated Allowance	12,216	100.0	10,830	100.0
Unallocated	603	—	752	—
Total Allowance for Loan Losses	$ 12,819	100.0%	$ 11,582	100.0%

(1) Represents percentage of loans in each category to total loans

Reconciliations of Non-GAAP Financial Measures to GAAP

Reconciliations of non-GAAP financial measures discussed in this Report to the most directly comparable GAAP financial measures are included in the following tables.

Interest income on interest-earning assets, net interest rate spread and net interest margin are presented on a FTE basis. The FTE basis adjusts for the tax benefit of income on certain tax-exempt loans and securities using the federal statutory income tax rate of 21 percent. We believe the presentation of net interest income on a FTE basis ensures comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice.

Interest income on interest-earning assets, net interest rate spread and net interest margin are presented on a fully tax-equivalent ("FTE") basis. The FTE basis adjusts for the tax benefit of income on certain tax-exempt loans and securities using the federal statutory income tax rate of 21 percent. We believe the presentation of net interest income on a FTE basis ensures comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice. The following table reconciles net interest income, net interest spread and net interest margin on a FTE basis for the periods indicated:

Year Ended December 31,	**2022**	**2021**
(Dollars in Thousands)		
Interest Income per Consolidated Statements of Income (GAAP)	$ 47,716	$ 43,557
Adjustment to FTE Basis	134	172
Interest Income (FTE) (Non-GAAP)	47,850	43,729
Interest Expense per Consolidated Statements of Income (GAAP)	4,781	3,405
Net Interest Income (FTE) (Non-GAAP)	$ 43,069	$ 40,324
Net Interest Income (GAAP)	$ 42,935	$ 40,152
Divided by : Average Interest Earning Assets	$ 1,324,875	$ 1,373,379
Net Interest Margin (GAAP)	3.24%	2.92%
Adjustment to FTE Basis	0.01	0.02
Net Interest Margin (FTE) (Non-GAAP)	3.25%	2.94%
Net Interest Rate Spread (GAAP)	3.07%	2.81%
Adjustment to FTE Basis	0.01	0.01
Net Interest Rate Spread (FTE) (Non-GAAP)	3.08%	2.82%

Tangible book value per common share is a non-GAAP measure and is calculated based on tangible common equity divided by period-end common shares outstanding. Tangible common equity to tangible assets is a non-GAAP measure and is calculated based on tangible common equity divided by tangible assets. We believe these non-GAAP measures serve as useful tools to help evaluate the strength and discipline of the Company's capital management strategies and as an additional, conservative measure of the Company's total value.

December 31,	**2022**	**2021**
(Dollars in Thousands, Except Share and Per Share Data)		
Stockholders' Equity (GAAP) (Numerator)	$ 110,155	$ 133,124
Goodwill and Other Intangible Assets, Net	(13,245)	(15,027)
Tangible Common Equity or Tangible Book Value (Non-GAAP) (Numerator)	$ 96,910	$ 118,097
Common Shares Outstanding (Denominator)	5,100,189	5,260,672
Book Value per Common Share (GAAP)	$ 21.60	$ 25.31
Tangible Book Value per Common Share (Non-GAAP)	$ 19.00	$ 22.45

Liquidity

Liquidity is the ability to meet current and future financial obligations of a short-term nature. The Bank's primary sources of funds consist of deposit inflows, loan repayments, and maturities and sales of securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

The Bank regularly adjusts its investments in liquid assets based upon its assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits and securities, and the objectives of its asset/liability management program. Excess liquid assets are invested generally in interest-earning deposits with other banks and short- and intermediate-term securities. The Bank believes that it had sufficient liquidity at December 31, 2022, to satisfy its short- and long-term liquidity needs at that date.

The Bank's most liquid assets are cash and due from banks, which totaled $103.7 million at December 31, 2022. Unpledged securities, which provide an additional source of liquidity, totaled $14.4 million. In addition, the Bank maintains a credit arrangement with the FHLB with a maximum borrowing limit of approximately $435.3 million and available borrowing capacity of $407.4 million as of December 31, 2022. $26.2 million was utilized toward standby letters of credit to collateralize public deposits in excess of the level insured by the FDIC. This arrangement is subject to annual renewal, incurs no service charge, and is secured by a blanket security agreement on $602.5 million of residential and commercial mortgage loans and the Bank's investment in FHLB stock. The Bank also maintains a Borrower-In-Custody of Collateral line of credit agreement with the FRB for $119.0 million that requires monthly certification of collateral, is subject to annual renewal, incurs no service charge and is secured by $172.9 million of commercial and consumer indirect auto loans. The Bank also maintains multiple line of credit arrangements with various unaffiliated banks totaling $50.0 million as of December 31, 2022.

At December 31, 2022, the Bank had funding commitments totaling $156.7 million, consisting primarily of commitments to originate loans, unused lines of credit and letters of credit.

At December 31, 2022, certificates of deposit due within one year of that date totaled $69.4 million, or 63.6% of total certificates of deposit. While liquidity levels at December 31, 2022 are currently sufficient, if these certificates of deposit do not remain with the Bank, the Bank may be required to seek other sources of funds. Depending on market conditions, the Bank may be required to pay higher rates on such deposits or other borrowings than it currently pays on these certificates of deposit. The Bank believes, however, based on past experience that a significant portion of its certificates of deposit will remain with it, either as certificates of deposit or as other deposit products. The Bank can attract and retain deposits by adjusting the interest rates offered.

The Bank's primary investing activities are the origination of loans. For the year ended December 31, 2022 the Bank had net loan originations of $31.4 million.

The Company is a separate legal entity from the Bank and must provide for its own liquidity to pay dividends to stockholders, to pay principal and interest on its subordinated debt and for other corporate purposes. At December 31, 2022, the Company (on an unconsolidated basis) had liquid assets of $16.3 million.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position daily and anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

Commitments. As a financial services provider, the Company routinely is a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit, commitments under unused lines of credit, and commitments under letters of credit. While these contractual obligations represent potential future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans the Company makes. In addition, the Company enters into commitments to sell mortgage loans.

Contractual Obligations. In the ordinary course of its operations, the Company enters into certain contractual obligations. Such obligations include operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities and agreements with respect to investments.

The following tables present certain of our contractual obligations at December 31, 2022.

Payment Due by Period	**Total**	**Less Than Or Equal to One Year**	**More Than One to Three Years**	**More Than Three to Five Years**	**More Than Five Years**
(Dollars in Thousands)					
Certificates of deposit	$ 109,126	$ 69,355	$ 24,256	$ 12,240	$ 3,275
Other Borrowed Funds	14,638	—	—	—	14,638
Operating Lease Obligations	2,339	358	627	466	888
Total	$ 126,103	$ 69,713	$ 24,883	$ 12,706	$ 18,801

Capital Resources

At December 31, 2022 and 2021, respectively, the Bank was considered "well capitalized" under the regulatory framework for prompt corrective action.

The following table presents the Bank's regulatory capital amounts and ratios, as well as the minimum amounts and ratios required to be well capitalized at the dates indicated.

	2022		2021	
December 31,	**Amount**	**Ratio**	**Amount**	**Ratio**
(Dollars in Thousands)				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)				
Actual	$ 121,188	12.33%	$ 113,086	11.95%
For Capital Adequacy Purposes	44,221	4.50	42,571	4.50
To Be Well Capitalized	63,875	6.50	61,491	6.50
Tier I Capital (to Risk-Weighted Assets)				
Actual	121,188	12.33	113,086	11.95
For Capital Adequacy Purposes	58,961	6.00	56,761	6.00
To Be Well Capitalized	78,615	8.00	75,682	8.00
Total Capital (to Risk-Weighted Assets)				
Actual	133,478	13.58	124,668	13.18
For Capital Adequacy Purposes	78,615	8.00	75,682	8.00
To Be Well Capitalized	98,269	10.00	94,602	10.00
Tier I Leverage Capital (to Adjusted Total Assets)				
Actual	121,188	8.66	113,086	7.76
For Capital Adequacy Purposes	55,969	4.00	58,307	4.00
To Be Well Capitalized	69,962	5.00	72,884	5.00

Impact of Inflation and Changing Price

The consolidated financial statements and related notes of the Company have been prepared in accordance with GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration of changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike industrial companies, the Company's assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management of Interest Rate Risk. The majority of the Company's assets and liabilities are monetary in nature. Consequently, the Company's most significant form of market risk is interest rate risk and a principal part of its business strategy is to manage interest rate risk by reducing the exposure of net interest income to changes in market interest rates. Accordingly, the Company's Board has established an Asset/Liability Management Committee, which is responsible for evaluating the interest rate risk inherent in the Company's assets and liabilities, for determining the level of risk that is appropriate given the Company's business strategy, operating environment, capital, liquidity and performance objectives; and for managing this risk consistent with the guidelines approved by the Board. Senior management monitors the level of interest rate risk and the Asset/Liability Management Committee meets on a quarterly basis to review its asset/liability policies and position and interest rate risk position, and to discuss and implement interest rate risk strategies.

The Company monitors interest rate risk through the use of a simulation model. The quarterly reports developed in the simulation model assist the Company in identifying, measuring, monitoring and controlling interest rate risk to ensure compliance within the Company's policy guidelines. This quantitative analysis measures interest rate risk from both a capital and earnings perspective. With regard to earnings, movements in interest rates and the shape of the yield curve significantly influence the amount of net interest income that is recognized. Movements in market interest rates significantly influence the spread between the interest earned on our interest-earning assets and the interest paid on our interest-bearing liabilities. Our internal interest rate risk analysis calculates the sensitivity of our projected net interest income over a one year period utilizing a static balance sheet assumption through which incoming and outgoing asset and liability cash flows are reinvested into similar instruments. Product pricing and earning asset prepayment speeds are adjusted for each rate scenario.

With regard to capital, our internal interest rate risk analysis calculates the sensitivity of our economic value of equity ("EVE") ratio to movements in interest rates. EVE represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities. EVE attempts to quantify our economic value using a discounted cash flow methodology while the EVE ratio reflects that value as a form of capital ratio. The degree to which the EVE ratio changes for any hypothetical interest rate scenario from its base case measurement is a reflection of an institution's sensitivity to interest rate risk.

For both net interset income and capital at risk, our interest rate risk analysis calculates a base case scenario that assumes no change in interest rates. The model then measures changes throughout a series of interest rate scenarios representing immediate and permanent, parallel shifts in the yield curve up and down 100, 200, 300 and 400 basis points with additional scenarios modeled where appropriate. The model requires that interest rates remain positive for all points along the yield curve for each rate scenario which may preclude the modeling of certain falling rate scenarios during periods of lower market interest rates such as that experienced in the current rate environment at December 31, 2022.

The table below sets forth, as of December 31, 2022, the estimated changes in EVE and net interest income at risk that would result from the designated instantaneous changes in market interest rates. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results.

	EVE			EVE as a Percent of Portfolio Value of Assets		Net Interest Income at Risk		
Change in Interest Rates in Basis Points	**Dollar Amount**	**Dollar Change**	**Percent Change**	**NPV Ratio**	**Basis Point Change**	**Dollar Amount**	**Dollar Change**	**Percent Change**
(Dollars in Thousands)								
+400	$ 96,022	$ (69,547)	(42.0)%	8.20 %	(427)	$ 40,140	$ (7,122)	(15.1)%
+300	$110,946	$ (54,623)	(33.0)%	9.20 %	(327)	$ 42,149	$ (5,113)	(10.8)%
+200	127,232	(38,337)	(23.2)	10.24	(223)	44,182	(3,080)	(6.5)
+100	146,058	(19,511)	(11.8)	11.38	(109)	46,149	(1,113)	(2.4)
Flat	165,569	—	—	12.47	—	47,262	—	—
-100	184,213	18,644	11.3	13.39	92	47,491	229	0.5
-200	215,870	50,301	30.4	14.97	250	46,514	(748)	(1.6)
-300	249,488	83,919	50.7	16.49	402	44,756	(2,506)	(5.3)
-400	247,643	82,074	49.6	16.01	354	42,744	(4,518)	(9.6)

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in EVE and net interest income require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the table presented assumes that the composition of the Company's interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured, and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the table provides an indication of the Company's interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on EVE and net interest income and will differ from actual results. EVE calculations also may not reflect the fair values of financial instruments. For example, changes in market interest rates can increase the fair values of the Company's loans, deposits and borrowings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements are included in Part IV, Item 15 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2022. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the SEC (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

(b) Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control process has been designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022, utilizing the framework established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment, the Company concluded that the Company's internal control over financial reporting was effective as of December 31, 2022, based on that framework.

(c) Changes to Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the three months ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 Annual Meeting.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 Annual Meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 Annual Meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 Annual Meeting.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm for 2022 is FORVIS, LLP (formerly BKD, LLP), Pittsburgh, Pennsylvania, Auditor Firm ID 686.

Our independent registered public accounting firm for 2021 was BKD, LLP, Pittsburgh, Pennsylvania, Auditor Firm ID 686.

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 Annual Meeting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The financial statements filed as a part of this Form 10-K are:

(A) Report of Independent Registered Public Accounting Firm;

(B) Consolidated Statements of Financial Condition at December 31, 2022 and 2021;

(C) Consolidated Statements of Income for the Years Ended December 31, 2022 and 2021;

(D) Consolidated Statements of Comprehensive (Loss) Income for the Years Ended December 31, 2022 and 2021;

(E) Consolidated Statements of Changes in Stockholders’ Equity for the Years Ended December 31, 2022 and 2021;

(F) Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021; and

(G) Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

All financial statement schedules have been omitted as the required information is inapplicable or has been included in the Notes to Consolidated Financial Statements.

(a)(3) Exhibits

3.1 Amended and Restated Articles of Incorporation of CB Financial Services, Inc. [1]

3.2 Bylaws of CB Financial Services, Inc. [2]

4.1 Form of Stock Certificate of CB Financial Services, Inc. [1]

4.2 Description of Registrant's Securities [3]

10.1 Employment Agreement by and between Community Bank and John H. Montgomery [4]

10.2 Executive Consultant Agreement by and between Community Bank and Ralph Burchianti [5]

10.3 Employment Agreement by and between Community Bank and Jamie L. Prah [6]

10.4 Employment Agreement by and among Community Bank, Exchange Underwriters, Inc., and Richard B. Boyer dated April 14, 2014 [1]

10.8 Split Dollar Life Insurance Agreement by and between Community Bank and John H. Montgomery, dated November 2, 2020 [7]

10.9 Split Dollar Life Insurance Agreement by and between Community Bank and Ralph Burchianti dated April 1, 2005 [1]

10.10 Split Dollar Life Insurance Agreement dated as of June 1, 2002, by and between First Federal Savings Bank and Richard B. Boyer [8]

10.11 Amendment dated as of July 19, 2002, to the Life Insurance Endorsement Method Split Dollar Plan Agreement by and between First Federal Savings Bank and Richard B. Boyer [9]

10.12 Amendment dated as of September 13, 2005, to the Life Insurance Endorsement Method Split Dollar Plan Agreement by and between First Federal Savings Bank and Richard B. Boyer [10]

10.15 CB Financial Services, Inc., 2015 Equity Incentive Plan [11]

10.16 CB Financial Services, Inc., 2021 Equity Incentive Plan [12]

10.17 Subordinated Note Purchase Agreement [13]

10.18 Employment Agreement by and between Community Bank and Jennifer L. George [14]

21 Subsidiaries

23.1 Consent of FORVIS, LLP

31.1 Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.0 The following materials for the year ended December 31, 2022, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive (Loss) Income, (iv) the Consolidated Statements of Changes in Stockholders’ Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Audited Consolidated Financial Statements.

104 Cover Page Interactive Data File (embedded in Inline XBRL contained in Exhibit 101)

(1) Incorporated herein by reference to the Exhibits to the Company’s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 13, 2014 (File No. 333-196749).

(2) Incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 20, 2021.

(3) Incorporated herein by reference to Exhibit 4.2 to the Company’s Form 10-K for the year ended December 31, 2020, filed on March 17, 2021.

(4) Incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed on August 14, 2020.

(5) Incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K , filed on February 21, 2023.

(6) Incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed on May 24, 2020.

(7) Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed on November 6, 2020.

(8) Incorporated herein by reference to Exhibit 10.11 to FedFirst Financial Corporation’s Registration Statement on Form SB-2, as amended (File No. 333-121405), initially filed on December 17, 2004.

(9) Incorporated herein by reference to Exhibit 10.2 to FedFirst Financial Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed on May 9, 2008.

(10) Incorporated herein by reference to Exhibit 10.4 to FedFirst Financial Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed on May 9, 2008.

(11) Incorporated herein by reference to Appendix A to the Company’s Definitive Proxy Statement, filed on April 16, 2015.

(12) Incorporated herein by reference to Appendix A to the Company’s Definitive Proxy Statement, filed on April 9, 2021.

(13) Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed on December 10, 2021.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CB FINANCIAL SERVICES, INC.

Date: March 10, 2023

By: /s/ John H. Montgomery
John H. Montgomery
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ John H. Montgomery
John H. Montgomery
President and Chief Executive Officer and Director
Date: March 10, 2023

By: /s/ Jamie L. Prah
Jamie L. Prah
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
Date: March 10, 2023

By: /s/ Mark E. Fox
Mark E. Fox
Director (Chairman of the Board)
Date: March 10, 2023

By: /s/ Charles R. Guthrie
Charles R. Guthrie, CPA
Director (Vice Chairman of the Board)
Date: March 10, 2023

By: /s/ Karl G. Baily
Karl G. Baily
Director
Date: March 10, 2023

By: /s/ Jonathan A. Bedway
Jonathan A. Bedway
Director
Date: March 10, 2023

By: /s/ Richard B. Boyer
Richard B. Boyer
Director
Date: March 10, 2023

By: /s/ Ralph Burchianti
Ralph Burchianti
Senior Executive Vice President and Chief Credit Officer and Director
Date: March 10, 2023

By: /s/ Joseph N. Headlee
Joseph N. Headlee
Director
Date: March 10, 2023

By: /s/ John J. LaCarte
John J. LaCarte
Director
Date: March 10, 2023

By: /s/ Roberta Robinson Olejasz
Roberta Robinson Olejasz
Director
Date: March 10, 2023

By: /s/ John M. Swiatek
John M. Swiatek
Director
Date: March 10, 2023

By: /s/ David F. Pollock
David F. Pollock
Director
Date: March 10, 2023

CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors and Audit Committee
CB Financial Services, Inc.
Carmichaels, Pennsylvania

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial condition of CB Financial Services, Inc. (Company) as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive (loss) income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan Losses

As described in Note 4 to the financial statements, the Company's allowance for loan and lease losses (ALLL) was $12.8 million at December 31, 2022. The Company also describes in Note 1 of the financial statements the "Allowance for Loan Losses" accounting policy around this estimate. The allowance for loan losses is evaluated on a regular basis by management and is based on management's periodic review of the collectability of loans in light of historical experiences, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired and an allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. The unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses.

We identified the valuation of the ALLL as a critical audit matter. Auditing the allowance for loan losses involved significant judgement and complex review as there is a high degree of subjectivity in evaluating management's estimate, such as evaluating management's assessment of economic conditions and other environmental factors, evaluating the adequacy of specific allowances associated with impaired loans and assessing the appropriateness of loan grades.

Our audit procedures related to the estimated allowance for loan losses included:

a. Testing the design effectiveness of internal controls, including those related to technology, over the ALLL including data completeness and accuracy, classifications of loans by loan segment, historical loss data, the calculation of a loss rate, the establishment of qualitative adjustments, grading and risk classification of loans, establishment of specific reserves on impaired loans, and management’s review controls over the ALLL balance as a whole.

b. Testing clerical and computational accuracy of the formulas within the Company’s ALLL calculation.

c. Testing of completeness and accuracy of the underlying data utilized in the ALLL, including reports used in management review controls over the ALLL.

d. Testing of the loan review function and the reasonableness of loan grades determined. Specifically, utilizing internal loan review professionals to assist us in evaluating the appropriateness of loan grades and to assess the reasonableness of specific impairments on impaired loans.

e. Evaluating the overall reasonableness of qualitative factor adjustments to historical loss, and the appropriateness of their direction and magnitude and the Company’s support for the direction and magnitude compared to previous years.

FORVIS, LLP (Formerly, BKD, LLP)

We have served as the Company’s auditor since 2021.

Pittsburgh, Pennsylvania
March 10, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31,	2022	2021
(Dollars in Thousands, Except Per Share and Share Data)		
ASSETS		
Cash and Due From Banks:		
Interest Bearing	$ 82,957	$ 63,968
Non-Interest Bearing	20,743	55,706
Total Cash and Due From Banks	103,700	119,674
Securities:		
Available-for-Sale Debt Securities, at Fair Value	187,360	222,108
Equity Securities, at Fair Value	2,698	2,866
Total Securities	190,058	224,974
Loans (Net of Allowance for Loan Losses of $12,819 and $11,582 at December 31, 2022 and 2021, Respectively)	1,037,054	1,009,214
Premises and Equipment, Net	17,844	18,399
Bank-Owned Life Insurance	25,893	25,332
Goodwill	9,732	9,732
Intangible Assets, Net	3,513	5,295
Accrued Interest Receivable and Other Assets	21,144	12,859
TOTAL ASSETS	$ 1,408,938	$ 1,425,479
LIABILITIES		
Deposits:		
Demand Deposits	$ 390,405	$ 385,775
NOW Accounts	311,825	272,518
Money Market Accounts	209,125	192,125
Savings Accounts	248,022	239,482
Time Deposits	109,126	136,713
Total Deposits	1,268,503	1,226,613
Short-Term Borrowings	8,060	39,266
Other Borrowed Funds	14,638	17,601
Accrued Interest Payable and Other Liabilities	7,582	8,875
TOTAL LIABILITIES	1,298,783	1,292,355
STOCKHOLDERS' EQUITY		
Preferred Stock, No Par Value; 5,000,000 Shares Authorized	—	—
Common Stock, $0.4167 Par Value; 35,000,000 Shares Authorized, 5,708,433 and 5,680,993 Shares Issued and 5,100,189 and 5,260,672 Shares Outstanding, Respectively	2,379	2,367
Capital Surplus	83,953	83,294
Retained Earnings	63,861	57,534
Treasury Stock, at Cost (608,244 and 420,321 Shares, Respectively)	(13,797)	(9,144)
Accumulated Other Comprehensive Loss	(26,241)	(927)
TOTAL STOCKHOLDERS' EQUITY	110,155	133,124
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,408,938	$ 1,425,479

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,	2022	2021
(Dollars in Thousands, Except Per Share and Share Data)		
INTEREST AND DIVIDEND INCOME		
Loans, Including Fees	$ 41,933	$ 39,704
Securities:		
Taxable	3,852	2,990
Tax-Exempt	213	289
Dividends	91	84
Other Interest and Dividend Income	1,627	490
TOTAL INTEREST AND DIVIDEND INCOME	47,716	43,557
INTEREST EXPENSE		
Deposits	4,025	3,125
Short-Term Borrowings	63	98
Other Borrowed Funds	693	182
TOTAL INTEREST EXPENSE	4,781	3,405
NET INTEREST AND DIVIDEND INCOME	42,935	40,152
Provision (Recovery) For Loan Losses	3,784	(1,125)
NET INTEREST AND DIVIDEND INCOME AFTER PROVISION (RECOVERY) FOR LOAN LOSSES	39,151	41,277
NONINTEREST INCOME		
Service Fees on Deposits	2,160	2,331
Insurance Commissions	5,934	5,616
Other Commissions	669	521
Net Gain on Sales of Loans	—	1,143
Net (Loss) Gain on Securities	(168)	526
Net Gain on Purchased Tax Credits	57	70
Gain on Sale of Branches	—	5,203
Net Gain (Loss) on Disposal of Premises and Equipment	431	(3)
Income from Bank-Owned Life Insurance	561	553
Other Income	176	320
TOTAL NONINTEREST INCOME	9,820	16,280
NONINTEREST EXPENSE		
Salaries and Employee Benefits	18,469	19,938
Occupancy	3,047	2,968
Equipment	739	1,034
Data Processing	2,152	2,154
Federal Deposit Insurance Corporation Assessment	638	1,014
Pennsylvania Shares Tax	979	887
Contracted Services	1,628	4,011
Legal and Professional Fees	1,237	994
Advertising	527	749
Other Real Estate Owned (Income)	(151)	(183)
Amortization of Intangible Assets	1,782	1,926
Goodwill and Intangible Assets Impairment	—	1,178
Writedown on Premises and Equipment	—	2,293
Other	3,844	3,899
TOTAL NONINTEREST EXPENSE	34,891	42,862
INCOME BEFORE INCOME TAX EXPENSE	14,080	14,695
Income Tax Expense	2,833	3,125
NET INCOME	$ 11,247	$ 11,570
EARNINGS PER SHARE		
Basic	$ 2.19	$ 2.15
Diluted	2.18	2.15
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	5,136,670	5,382,441
Diluted	5,149,312	5,392,729

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Year Ended December 31,	2022	2021
(Dollars in Thousands)		
Net Income	$ 11,247	$ 11,570
Other Comprehensive Loss:		
Change in Unrealized Loss on Available-for-Sale Debt Securities	(32,266)	(5,288)
Income Tax Effect	6,952	1,136
Reclassification Adjustment for Gain on Sale of Debt Securities Included in Net Income (1)	—	(225)
Income Tax Effect (2)	—	48
Other Comprehensive Loss, Net of Income Tax Effect	(25,314)	(4,329)
Total Comprehensive (Loss) Income	$ (14,067)	$ 7,241

(1) Reported in Net (Loss) Gain on Securities on the Consolidated Statements of Income.

(2) Reported in Income Tax Expense on the Consolidated Statements of Income.

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Shares Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
(Dollars in Thousands, Except Per Share and Share Data)							
December 31, 2020	5,680,993	$ 2,367	$ 82,723	$ 51,132	$ (5,094)	$ 3,402	$ 134,530
Net Income	—	—	—	11,570	—	—	11,570
Other Comprehensive Loss	—	—	—	—	—	(4,329)	(4,329)
Restricted Stock Awards Forfeited	—	—	9	—	(9)	—	—
Stock-Based Compensation Expense	—	—	566	—	—	—	566
Exercise of Stock Options	—	—	(4)	—	102	—	98
Treasury Stock Purchased, at Cost (178,252 shares)	—	—	—	—	(4,143)	—	(4,143)
Dividends Declared ($0.96 per share)	—	—	—	(5,168)	—	—	(5,168)
December 31, 2021	5,680,993	$ 2,367	$ 83,294	$ 57,534	$ (9,144)	$ (927)	$ 133,124
Net Income	—	—	—	11,247	—	—	11,247
Other Comprehensive Loss	—	—	—	—	—	(25,314)	(25,314)
Restricted Stock Awards Forfeited	(325)	—	81	—	(81)	—	—
Restricted Stock Awards Granted	27,765	12	(12)	—	—	—	—
Stock-Based Compensation Expense	—	—	600	—	—	—	600
Exercise of Stock Options	—	—	(10)	—	230	—	220
Treasury Stock Purchased, at Cost (195,033 shares)	—	—	—	—	(4,802)	—	(4,802)
Dividends Declared ($0.96 per share)	—	—	—	(4,920)	—	—	(4,920)
December 31, 2022	5,708,433	$ 2,379	$ 83,953	$ 63,861	$ (13,797)	$ (26,241)	$ 110,155

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	2022	2021
(Dollars in Thousands)		
OPERATING ACTIVITIES		
Net Income	$ 11,247	$ 11,570
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Net Amortization on Securities	66	52
Depreciation and Amortization	2,704	2,435
Provision (Recovery) for Loan Losses	3,784	(1,125)
Other Intangible Asset Impairment	—	1,178
Writedown on Premises and Equipment	—	2,293
Lease Impairment	—	227
Loss (Gain) on Securities	168	(526)
Gain on Sale of Branches	—	(5,203)
Gain on Purchased Tax Credits	(57)	(70)
Income from Bank-Owned Life Insurance	(561)	(553)
Proceeds From Mortgage Loans Sold	—	12,946
Originations of Mortgage Loans for Sale	—	(12,623)
Gain on Sales of Loans	—	(1,143)
(Gain) Loss on Sales of Other Real Estate Owned	(1)	(80)
Noncash Expense for Stock-Based Compensation	600	566
(Increase) Decrease in Accrued Interest Receivable	(633)	522
(Gain) Loss on Disposal of Premises and Equipment	(431)	3
Increase (Decrease) in Deferred Income Tax	535	(248)
(Decrease) Increase in Taxes Payable	(5)	1,888
Decrease in Accrued Interest Payable	(131)	(281)
Other, Net	(3,134)	1,227
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,151	13,055
INVESTING ACTIVITIES		
Securities Available for Sale:		
Proceeds From Principal Repayments and Maturities	29,242	38,435
Purchases of Securities	(26,826)	(135,015)
Proceeds from Sales of Securities	—	11,967
Proceeds from Loans Sold	—	12,371
Net (Increase) Decrease in Loans	(31,385)	12,737
Purchase of Premises and Equipment	(509)	(2,385)
Proceeds from Disposal of Premises and Equipment	480	845
Proceeds From Sales of Other Real Estate Owned	37	325
Decrease in Restricted Equity Securities	654	582
NET CASH USED IN INVESTING ACTIVITIES	(28,307)	(60,138)
FINANCING ACTIVITIES		
Net Increase in Deposits	41,890	104,843
Sale of Deposits, Net of Purchase Premium	—	(97,596)
Decrease in Short-Term Borrowings	(31,206)	(1,789)
Principal Payments on Other Borrowed Funds	(3,000)	(5,000)
Proceeds from Issuance of Subordinated Debt, Net of Debt Issuance Costs	—	14,601
Cash Dividends Paid	(4,920)	(5,168)
Treasury Stock, Purchases at Cost	(4,802)	(4,143)
Exercise of Stock Options	220	98
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,818)	5,846
DECREASE IN CASH AND DUE FROM BANKS	(15,974)	(41,237)
CASH AND DUE FROM BANKS AT BEGINNING OF THE YEAR	119,674	160,911
CASH AND DUE FROM BANKS AT END OF THE YEAR	$ 103,700	$ 119,674

The accompanying notes are an integral part of these consolidated financial statements

Year Ended December 31,		2022		2021
(Dollars in Thousands)				
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash Paid for:				
Interest on Deposits and Borrowings (Including Interest Credited to Deposit Accounts of $4,144 and $3,432, Respectively)	$	4,912	$	3,686
Income Taxes		3,247		1,599
SUPPLEMENTAL NONCASH DISCLOSURE:				
Real Estate Acquired in Settlement of Loans	$	—	$	73
Right of Use ("ROU") Asset Recognized		1,556		—
Lease Liability Recognized		1,556		—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of CB Financial Services, Inc., and its wholly owned subsidiary, Community Bank (the "Bank"), and the Bank's wholly owned subsidiary, Exchange Underwriters, Inc. ("Exchange Underwriters" or "EU"). CB Financial Services, Inc., Community Bank and Exchange Underwriters, Inc. are collectively referred to as the "Company." All intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations

The Company derives substantially all its income from banking and bank-related services which include interest income on commercial, commercial mortgage, residential real estate and consumer loan financing, as well as interest and dividend income on securities, insurance commissions, and fees generated from deposit services to its customers. The Company provides banking services through its subsidiary, Community Bank, a Pennsylvania-chartered commercial bank headquartered in Carmichaels, Pennsylvania. The Bank is a community-oriented institution offering residential and commercial real estate loans, commercial and industrial loans, and consumer loans as well as a variety of deposit products for individuals and businesses in its market area. After the consolidation of one branch in 2022, and consolidation of six and sale of two branches in 2021, the Bank operates from 10 offices in Greene, Allegheny, Washington, Fayette and Westmoreland Counties in southwestern Pennsylvania and three offices in Marshall and Ohio Counties in West Virginia. Property and casualty, commercial liability, surety and other insurance products are offered through Exchange Underwriters, a full-service, independent insurance agency.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2022 through the date the consolidated financial statements are being issued for items that should potentially be recognized or disclosed in these consolidated financial statements.

Use of Estimates

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with general practice within the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition, and income and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to fair value of securities available for sale, determination of the allowance for losses on loans, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, other-than-temporary impairment evaluations of securities, the valuation of deferred tax assets and the evaluation of goodwill and core deposit intangible impairment.

Revenue Recognition

Income on loans and securities is recognized as earned on the accrual method. Gains and losses on sales of mortgages are based on the difference between the selling price and the carrying value of the related mortgage sold.

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Accounting Standards Codification ("ASC") Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The Company's revenue from contracts with customers within the scope of ASC Topic 606 is recognized within Noninterest Income with the exception of Other Real Estate Owned ("OREO") Income, which is accounted for in Noninterest Expense. The following narrative describes the Company's revenue streams accounted for under the guidance of ASC Topic 606:

Service Fees: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees include services fees for ATM usage, stop payment charges, statement production, ACH and wire transfers, which are recognized into income at the occurrence of an executed transaction and the point in time the Company fulfills the customer's request. Account maintenance fees, which are primarily based on monthly maintenance activities, are earned over the course of the month, and satisfy the Company's performance obligation. Overdraft fees are recognized as the overdrafts on customer's accounts are incurred. The services fees are automatically withdrawn from the customer's account balance per their account agreement with the Company. In addition, the Company earns interchange fees from debit/credit cardholder transactions conducted through the applicable payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The Company currently does not offer a cardholder rewards program.

Insurance Commissions: EU derives commission and fee income from direct and agency bill insurance policies. Direct bill policies are invoiced directly from the insurance company provider to the customer. Once the customer remits payment for the policy, the insurance company provider then remits the commission or fee income to EU on a monthly basis. Agency bill policies are invoiced from EU, the insurance underwriting agency, to the customer. EU records the insurance company policy payable and the commission or fee income earned on the policy. As all insurance policies are contracts with customers, each policy has different terms and conditions.

EU utilizes a report from their core insurance data processing program, The Agency Manager ("TAM"), that captures all in-force policies that are active in the system and annualizes the commission over the life of each individual contract. The report then provides an overall commission and fee income total for the monthly reporting financial statement period. This income is then compared to the amount of direct and agency bill income recorded in TAM for the reporting month and an adjustment to income is made according to the report. This is the income recognized for the portion of the insurance contract that has been earned by EU and subsequently the Company.

Other Commissions: The Company earns other commissions, such as wealth management referral fees, check sales and safe deposit box rentals to customers. The wealth management referral fees are earned as a referral when a bank customer initiates a customer relationship with an associated wealth management firm. These fees fulfill the contract/agreement between the Company and the wealth management firm. Check sales are recognized as customers contact the Company for check supplies or the customer initiates the check order through the Company website to our third-party check company. These commissions are recognized as the third-party check company satisfies the contract of providing check stock to our customers. Safe deposit box rental income is recognized on a monthly basis, per each contract agreement with our customers. The safe deposit box income is automatically withdrawn from the customer's deposit account on a monthly basis as this revenue is earned by the contract.

Gains (Losses) on Sales of Other Real Estate Owned ("OREO"): The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. It is not common policy that the Company will finance an OREO property with the buyer. It is the Company's practice to sell loan collateral recognized as an OREO property to free the Company of any additional loss exposure.

Operating Segments

An operating segment is defined as a component of an enterprise that engages in business activities which generate revenue and incur expense, and the operating results of which are reviewed by management. At December 31, 2022, the Company's business activities are comprised of two operating segments, which are community banking and insurance brokerage services. The Company has evaluated the provisions of ASC Topic 280, *Segment Reporting,* and determined that segment reporting information related to EU (Insurance Brokerage Services segment) is required to be presented because the segment has adopted a board of directors that conducts board meetings independent from the Company. In addition, the segment comprises a significant amount to total noninterest income, even though the segment is less than 10% of the combined assets of the Company. See Note 19 – Segment Reporting and Related Information for more information.

Cash and Due From Banks

The Company has defined cash and due from banks as cash on hand and those amounts due from depository institutions, interest-bearing deposits with other banks with original maturities of less than 90 days, and federal funds sold. The Company maintains cash deposits in other depository institutions that occasionally exceed the amount of deposit insurance available. Management periodically assesses the financial condition of these institutions and believes that the risk of any possible credit loss is minimal.

Generally, the Company is required to maintain average reserve balances in vault cash with the Federal Reserve Bank based upon outstanding balances of deposit transaction accounts. However, as announced on March 15, 2020, the Federal Reserve Board reduced reserve requirement ratios to zero percent, effective March 26, 2020, in light of the shift to an ample reserves regime. This action eliminates the need to maintain balances in accounts at the Federal Reserve Bank to satisfy reserve requirements, thereby freeing up liquidity in the banking system to support lending. Therefore, at December 31, 2022, and 2021, there were no reserve requirements with the Federal Reserve Bank.

Securities

Securities are classified at the time of purchase, based on management's intentions and ability, as securities held to maturity or securities available-for-sale. Debt securities acquired with the intent and the ability to hold to maturity are stated at cost adjusted for amortization of premium and accretion of discount, which are computed using a level yield method and recognized as adjustments to interest income. Unrealized holding gains and losses for available-for-sale debt securities are reported as a separate component of stockholders' equity, net of tax, until realized. Equity securities are measured at fair value with the change in fair value recognized in Net Gain on Securities within the noninterest income category in the Consolidated Statements of Income. Realized securities gains and losses, if any, are computed using the specific identification method. Interest and dividends on securities are recognized as income when earned.

Declines in the fair value of individual securities below amortized cost that are other-than-temporary result in write-downs of the individual securities to their fair value. In estimating other-than-temporary impairment of securities, securities are evaluated on at least a quarterly basis to determine whether a decline in their value is other-than-temporary. In estimating other-than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) whether or not the Company intends to sell or expect that it is more likely than not that it will be required to sell the security before an anticipated recovery in fair value. Once a decline in value for a debt security is determined to be other than temporary, the other-than-temporary impairment is separated in (a) the amount of total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to credit loss is recognized in earnings. The amount of other-than-temporary impairment related to other factors is recognized in other comprehensive loss.

Common stock of the Federal Home Loan Bank ("FHLB") and of Atlantic Community Bankers' Bank ("ACBB") represent ownership in organizations that are wholly owned by other financial institutions. These restricted equity securities are accounted for based on industry guidance in ASC Sub-Topic 325-20, which requires the investment to be carried at cost and evaluated for impairment based on the ultimate recoverability of the par value. Included in accrued interest and other assets are FHLB stock of $2.7 million and $3.3 million at December 31, 2022 and 2021, respectively, and ACBB stock of $85,000 at December 31, 2022 and 2021.

The Company periodically evaluates its FHLB restricted stock for possible impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. The Company believes its holdings in the stock are ultimately recoverable at par value at December 31, 2022, and, therefore, determined that FHLB stock was not impaired. In addition, the Company has ample liquidity and does not require redemption of its FHLB stock in the foreseeable future.

Loans Receivable and Allowance for Loan Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the principal amount outstanding, net of deferred loan fees and the allowance for loan losses. The Company's loan portfolio is segmented to enable management to monitor risk and performance. The real estate loans are further segregated into three classes. Residential mortgages include those secured by residential properties and include home equity loans, while commercial mortgages consist of loans to commercial borrowers secured by commercial real estate. Construction loans typically consist of loans to build commercial buildings and acquire and develop residential real estate. The commercial and industrial segment consists of loans to finance the activities of commercial customers as well as Payroll Protection Program ("PPP") loans. The consumer segment consists primarily of indirect auto loans as well as personal installment loans and personal or overdraft lines of credit. Other loan primarily consist of municipal loans to local governments.

Residential mortgage loans are typically longer-term loans and, therefore, generally present greater interest rate risk than the consumer and commercial loans. Under certain economic conditions, housing values may decline, which may increase the risk that the collateral values are not sufficient. Commercial real estate loans generally present a higher level of risk than loans secured by residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income-producing properties, and the increased difficulty in evaluating and monitoring these types of loans. Furthermore, the repayment of commercial real estate loans is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed, a bankruptcy court modifies a lease term, or a major tenant is unable to fulfill its lease obligations), the borrower's ability to repay the loan may be impaired. Construction loans are originated to individuals to finance the construction of residential dwellings and are also originated for the construction of commercial properties, including hotels, apartment buildings, housing developments, and owner-occupied properties used for businesses. Construction loans generally provide for the payment of interest only during the construction phase, which is usually 12 to 18 months. At the end of the construction phase, the loan generally converts to a permanent residential or commercial mortgage loan. Construction loan risks include overfunding in comparison to the plans, untimely completion of work, and leasing and stabilization after project completion. Commercial and industrial loans are generally secured by business assets, inventories, accounts receivable, etc., which present collateral risk. Consumer loans generally have higher interest rates and shorter terms than residential mortgage loans; however, they have additional credit risk due to the type of collateral securing the loan.

Accrual of interest on loans is generally discontinued when it is determined that a reasonable doubt exists as to the collectability of principal and interest or when a loan becomes contractually past due by 90 days or more with respect to principal or interest.

When a loan is placed on non-accrual status, any accrued but uncollected interest is reversed from current income. Payments received on nonaccrual loans are applied against principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, and current and future payments are reasonably assured.

The Company uses an eight-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first four categories are not considered criticized and are aggregated as “pass” rated. The criticized rating categories used by management generally follow bank regulatory definitions. The special mention category includes assets that are currently protected but are below average quality, resulting in an undue credit risk, but not to the point of justifying a substandard classification. Loans in the substandard category have well-defined weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. Loans classified as doubtful have all the weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as loss are considered uncollectible and of such little value that continuance as an asset is not warranted.

In the normal course of business, the Company modifies loan terms for various reasons. These reasons may include a retention strategy to compete in the current interest rate environment, and to extend a loan term and re-amortize to better match the loan’s payment stream with the borrower’s cash flows. A modified loan is considered a troubled debt restructuring (“TDR”) when the Company has determined that the borrower is experiencing financial difficulties and the Company grants a concession to the borrower, except for an insignificant delay in payment. TDRs typically are the result of loss mitigation activities whereby concessions are granted to minimize loss and avoid foreclosure or repossession of collateral. The Company evaluates the probability that the borrower will be in payment default on any of its debt in the foreseeable future without modification. To make this determination a credit review is performed to assess the ability of the borrower to meet their obligations.

When the Company restructures a loan for a troubled borrower, the loan terms (i.e., interest rate, payment, amortization period and/or maturity date) are modified in such a way to enable the borrower to cover the modified debt service payments based on current financials and cash flow adequacy. If the hardship is thought to be temporary, then modified terms are offered only for that time period. Where possible, the Company obtains additional collateral and/or secondary payment sources at the time of the restructure. To date, the Company has not forgiven any principal as a restructuring concession. The Company will not offer modified terms if it believes that modifying the loan terms will only delay an inevitable permanent default.

All loans designated as TDRs are considered impaired loans and may be in either accruing or non-accruing status. The Company’s policy for recognizing interest income on TDRs does not differ from its overall policy for interest recognition. TDRs are considered to be in payment default if, subsequent to modification, the loans are transferred to nonaccrual status. A loan may be removed from nonaccrual TDR status if it has performed according to its modified terms for at least six consecutive months.

The performance and credit quality of the loan portfolio are also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Loan origination and commitment fees as well as certain direct loan origination costs are deferred and the net amount either accreted or amortized as an adjustment to the related loan’s yield over the contractual lives of the related loans.

The allowance for loan losses (“allowance”) is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance based on potential losses in the current loan portfolio, which includes an assessment of economic conditions, changes in the nature and volume of the loan portfolio, loan loss experience, volume and severity of past due, classified and nonaccrual loans as well as other loan modifications, quality of the Company’s loan review system, the degree of oversight by the Company’s board of directors, existence and effect of any concentrations of credit and changes in the level of such concentrations, effect of external factors, such as competition and legal and regulatory requirements, and other relevant factors. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making evaluations. Additions are made to the allowance through periodic provisions charged to income and recovery of principal and interest on loans previously charged-off. Losses of principal are charged directly to the allowance when a loss occurs or when a determination is made that the specific loss is probable. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. A loan is considered impaired when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due for principal and interest according to the original contractual terms of the loan agreement. Generally, management considers all substandard, doubtful, and loss-rated loans, nonaccrual loans, and TDRs for impairment. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The maximum period without payment that typically can occur before a loan is considered for impairment is 90 days. Impairment is measured based on the present value of expected future cash flows discounted at a loan's effective interest rate, or as a practical expedient, the observable market price, or, if the loan is collateral dependent, the fair value of the underlying collateral. When the measurement of an impaired loan is less than the recorded investment in the loan, the impairment is recorded in a specific valuation allowance. This specific valuation allowance is periodically adjusted for significant changes in the amount or timing of expected future cash flows, observable market price or fair value of the collateral. The specific valuation allowance, or allowance for impaired loans, is part of the total allowance for loan losses. Cash payments received on impaired loans that are considered nonaccrual are recorded as a direct reduction of the recorded investment in the loan. When the recorded investment has been fully collected, receipts are recorded as recoveries to the allowance for loan losses until the previously charged-off principal is fully recovered. Subsequent amounts collected are recognized as interest income. If no charge-off exists, then once the recorded investment has been fully collected, any future amounts collected would be recognized as interest income. Impaired loans are not returned to accrual status until all amounts due, both principal and interest, are current and a sustained payment history has been demonstrated.

The general allowance component covers pools of loans by loan class. Management determines historical loss experience for each segment of loans using the five-year rolling average of the net charge-off data within each segment. Qualitative and environmental factors are also considered that are likely to cause estimated credit losses associated with the Bank's existing portfolio to differ from historical loss experience, and include levels and trends in delinquency and impaired loans; levels and trends in net charge-offs, trends in volume and terms of loans; change in underwriting, policies, procedures, practices and key personnel; national and local economic trends; industry conditions, and effects of changes in high-risk credit circumstances. The qualitative and environmental factors are reviewed on a quarterly basis to ensure they are reflective of current conditions in the portfolio and economy. An unallocated component, which is a part of the general allowance component, is maintained to cover uncertainties that could affect the Company's estimate of probable losses.

Loans that were acquired in previous mergers, were recorded at fair value with no carryover of the related allowance for credit losses. The fair value of the acquired loans was estimated by management with the assistance of a third-party valuation specialist.

For performing loans acquired in a merger, the excess of expected cash flows over the estimated fair value, at acquisition, is referred to as the accretable discount and is recognized into interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable discount. The nonaccretable discount represents estimated future credit losses expected to be incurred over the life of the loan. Subsequent decreases to the expected cash flows require an evaluation to determine the need for an allowance. Subsequent improvements in expected cash flows result in the reversal of a corresponding amount of the nonaccretable discount, which is then reclassified as accretable discount that is recognized into interest income over the remaining life of the loan using the interest method. The evaluation of the amount of future cash flows that is expected to be collected is performed in a similar manner as that used to determine our allowance. Charge-offs of the principal amount on acquired loans would be first applied to the nonaccretable discount portion of the fair value adjustment.

The Company grants commercial, residential, and other consumer loans to customers at its branch locations throughout southwestern Pennsylvania in Greene, Washington, Allegheny, Fayette and Westmoreland Counties and in the panhandle of West Virginia in Marshall and Ohio Counties. Although the Company had a diversified loan portfolio at December 31, 2022 and 2021, a substantial portion of its debtors' ability to honor their contracts is determined by the economic environment of these counties within the tri-state region footprint.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the related assets, which range from three to seven years for furniture, fixtures and equipment, and 27.5 to 40 years for building premises. Leasehold improvements are amortized over the shorter of their estimated useful lives or their respective lease terms, which range from seven to fifteen years. Expenditures for maintenance and repairs are charged to expense when incurred while costs of major additions and improvements are capitalized.

Bank-Owned Life Insurance

The Company is the owner and beneficiary of bank-owned life insurance ("BOLI") policies on certain employees. The earnings from the BOLI policies are recognized as a component of noninterest income. The BOLI policies are an asset that can be liquidated, if necessary, with associated tax costs. However, the Company intends to hold these policies and, accordingly, the Company has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

Real Estate Owned

Real estate owned acquired in settlement of foreclosed loans is carried as a component of Other Assets at the lower of cost or fair value, less estimated cost to sell. Prior to foreclosure, the estimated collectible value of the collateral is evaluated to determine if a partial charge-off of the loan balance is necessary. After transfer to real estate owned, any subsequent write-downs are charged against noninterest expense. Direct costs incurred in the foreclosure process and subsequent holding costs incurred on such properties are recorded as expenses of current operations. Real estate owned was none and $36,000 at December 31, 2022 and 2021, respectively.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740, *Income Taxes*. The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination, the term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date, and is subject to management’s judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Deemed to have an indefinite life and not subject to amortization, goodwill is instead tested for impairment at the reporting unit level at least annually on October 31 or more frequently if triggering events occur or impairment indicators exist. The Company operates two reporting units – Community Banking segment and Insurance Brokerage Services segment. The Company has assigned 100% of the goodwill to the Community Banking reporting unit.

In assessing the impairment, the Company has the the option to perform either a qualitative analysis to determine whether it is necessary to perform the goodwill impairment test, or the Company may elect to perform a quantitative goodwill impairment test. Under the qualitative assessment, the Company assesses the existence of events or circumstances to determine whether it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, including, goodwill. If this is more likely than not, the goodwill impairment test is used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any. The estimated fair value of the community banking reporting unit is compared to its carrying value, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired, and no impairment loss is recognized. However, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized based on the excess of the a reporting unit's carrying value over its fair value.

The Company did not record any goodwill impairment for the years ended December 31, 2022 and 2021.

Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangible assets that have finite lives, such as core deposit intangibles acquired in mergers, customer relationship intangibles and renewal lists, are amortized over their estimated useful lives and subject to periodic impairment testing at last annually. The amortization expense represents the estimated decline in value of the underlying asset. Core deposit intangibles are primarily amortized over 6.5 to 9.3 years on the straight-line method. Customer renewal lists are amortized over their estimated useful lives of 9.5 years. We monitor other intangibles for impairment and evaluate carrying amounts, as necessary. Estimates and assumptions are used in determining the fair value of other intangible assets. There were no events or changes in circumstances indicating impairment of other intangible assets at December 31, 2022. The Company recorded impairment related to core deposit intangible of $1.2 million for the year ended December 31, 2021.

Future events could cause us to conclude that goodwill or other intangibles have become impaired, which would result in recording an impairment. Any resulting impairment could have a material adverse impact on the Company's financial condition and results of operations. Refer to Note 6—Goodwill and Intangible Assets for additional details.

Mortgage Servicing Rights ("MSRs")

The Company has agreements for the express purpose of selling loans in the secondary market. The Company maintains all servicing rights for these loans. MSRs are recognized when commitments are made to fund a loan to be sold and are recorded by allocating total costs incurred between the loan and servicing rights based on their relative fair values. MSRs are amortized in proportion to sold mortgages that are serviced and are included in Accrued Interest Receivable and Other Assets on the accompanying Consolidated Statements of Financial Condition.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of MSRs is netted against servicing fee income in Other Income within the noninterest income category in the Consolidated Statements of Income.

MSRs are evaluated for impairment based on the estimated fair value of the MSRs. MSRs are stratified by certain risk characteristics, primarily loan term and note rate. If temporary impairment exists within a risk stratification tranche, a valuation allowance is established through a charge to income equal to the amount by which the carrying value exceeds the estimated fair value. If it is later determined that all or a portion of the temporary impairment no longer exists for a particular tranche, the valuation allowance is reduced.

Treasury Stock

The purchase of the Company's common stock is recorded at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on the average cost basis, with any excess proceeds being credited to capital surplus.

Comprehensive (Loss) Income

Comprehensive (loss) income consists of net income and other comprehensive loss. Other comprehensive loss is comprised of unrealized holding losses and reclassification adjustment for gain on sale of available-for-sale debt securities, net of tax.

Earnings Per Share

The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated utilizing the reported net income as the numerator and weighted average shares outstanding as the denominator. The computation of diluted earnings per share differs in that the denominator is adjusted for the dilutive effects of any options and convertible securities. Treasury shares are not deemed outstanding for earnings per share calculations.

Stock-Based Compensation

In 2021, the Company's stockholders approved the 2021 Equity Incentive Plan (the "2021 Plan"). The purpose of the 2021 Plan is to provide officers, employees and directors of the Company and the Bank with additional incentives to promote the growth and performance of the Company and to further align their interests with those of the Company's stockholders through the ownership of additional common stock of the Company. In addition, the 2021 Plan provides the Company with flexibility to continue to attract and retain highly qualified officers and directors by offering a competitive compensation program that is linked to the performance of the Company's common stock. The effective date of the 2021 Plan was May 19, 2021, which was the date the 2021 Plan satisfied the applicable stockholder approval requirement. The 2021 Plan will remain in effect as long as any awards under it are outstanding; however, no awards may be granted under the 2021 Plan on or after the day immediately prior to the ten-year anniversary of the effective date of the 2021 Plan.

Awards may be granted under the 2021 Plan as incentive and non-statutory stock options, restricted stock awards, restricted stock units or any combination thereof, The maximum number of shares of Company common stock that may be delivered to participants under the 2021 Plan is equal to 500,000 shares of Company common stock (the "Share Limit"). Shares of Company common stock subject to the Share Limit may be issued pursuant to grants of stock options, restricted stock awards or restricted stock units, provided, however that the Share Limit is reduced, on a one-for-one basis, for each share of common stock subject to a stock option grant, and on a two and one-half-for-one basis for each share of common stock issued pursuant to restricted stock awards or restricted stock unit awards. If any award granted under the 2021 Plan expires, terminates, is canceled or is forfeited without being settled or exercised or is settled without the issuance of shares of common stock, shares of Company common stock subject to such award will be made available for future grant under the 2021 Plan. If any shares are surrendered or tendered to pay the exercise price of a stock option, such shares will not again be available for grant under the 2021 Plan. In addition, shares of common stock withheld in payment for purposes of satisfying tax withholding obligations with respect to an award do not become available for re-issuance under the 2021 Plan. Employees and directors of the Company or its subsidiaries are eligible to receive awards under the 2021 Equity Incentive Plan, except that non-employees may not be granted incentive stock options.

In 2015, the Company's stockholders approved the 2015 Equity Incentive Plan (the "2015 Plan"), which has similar characteristics to the 2021 Plan. The effective date of the 2015 Plan was May 20, 2015. The 2015 Plan shall remain in effect as long as any awards are outstanding, but as a result of the approval of the 2021 Plan, no more awards can be granted under the 2015 Plan. The 2015 Plan reserved an aggregate number of shares, of which two-thirds of the shares (271,431) could be issued as stock options and one-third of the shares (135,715) could be be issued as restricted stock awards or units.

ASC Topic 718, *Compensation – Stock Compensation,* requires recognizing the compensation cost in the financial statements for stock-based payment transactions. Stock option expense is measured based on the grant date fair value of the stock options issued. The per share fair value of stock options granted is calculated using the Black-Scholes-Merton option pricing model, using assumptions for expected life, expected dividend yield, risk-free interest rate and an expected volatility. The Company uses the simplified method to determine the expected term because it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The stock option exercise price is equal to the market value on the date of grant. Restricted stock award expense is measured based on the market price of the Company's common stock at the date of the grant. Unrecognized compensation expense is recognized ratably over the remaining service period, generally defined as the vesting period, for all nonvested restricted stock awards and stock options. Restricted stock awards and stock options are typically granted with a five year vesting period at a vesting rate of 20% per year. The contractual life of stock options is typically 10 years from the date of grant.

Advertising Costs

Advertising costs are expensed as incurred.

Impairment of Long-Lived Assets

The Company routinely performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying values may not be recoverable and are in excess of their fair value, less estimated costs to sell. If estimated recoverable amounts are lower than carrying values, assets are considered impaired and reduced to fair value with the recognized impairment charges recorded in noninterest expense in the Consolidated Statements of Income.

Long-lived assets are tested for impairment individually or as part of an asset group. An asset group is the unit of accounting for long-lived assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

The Company follows ASC 360, *Property, Plant and Equipment,* which requires three steps to identify, recognize and measure the impairment of a long-lived asset (asset group) to be held and used:

Step 1 – Consider whether Indicators of Impairment are Present.

The following are examples of such events or changes in circumstances.

- A significant decrease in the market price of a long-lived asset (asset group).
- A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition.
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator.
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group).
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group).
- A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50 percent.

Step 2—Test for Recoverability

If indicators of impairment are present, the Company performs a recoverability test comparing the sum of the estimated undiscounted cash flows attributable to the long-lived asset or asset group in question to the carrying amount of the long-lived asset or asset group.

Step 3—Measurement of an Impairment Loss

If the undiscounted cash flows used in the recoverability test are less than the carrying amount of the long-lived asset (asset group), the Company estimates the fair value of the long-lived asset or asset group and recognizes an impairment loss when the carrying amount of the long-lived asset or asset group exceeds the estimated fair value.

An impairment loss is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset of the group must not reduce the carrying amount of that asset below its fair value whenever the fair value is determinable without undue cost and effort. ASC 360 prohibits the subsequent reversal of an impairment loss for an asset held and used.

Recent Accounting Standards

In August 2021, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2021-06, *Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946): Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants.* This ASU incorporates recent SEC rule changes into the FASB Codification, including SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants. The SEC rule changes update and expand the statistical disclosures that bank and savings and loan registrants provide to investors, in light of changes in this sector over the past 30 years. The rules also eliminate certain disclosure items that are duplicative of other SEC rules and requirements of U.S. GAAP. The rules replace Industry Guide 3, Statistical Disclosure by Bank Holding Companies, with updated disclosure requirements in a new subpart of Regulation S-K. The rules are intended to help ensure that investors have access to more meaningful, relevant information to facilitate their investment and voting decisions. The amendments are effective prospectively for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The adoption of this ASU did not have a material impact on the Company's consolidated statements of financial condition or results of operation.

In March 2020, the Financial Accounting Standard Board ("FASB") issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, as amended.* This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. The elective guidance in the ASU applies to modifications of contract terms that will directly replace, or have the potential to replace, an affected rate with another interest rate index, as well as certain contemporaneous modifications of other contract terms related to the replacement of an affected rate. The ASU notes that changes in contract terms that are made to effect the reference rate reform transition are considered related to the replacement of a reference rate if they are not the result of a business decision that is separate from or in addition to changes to the terms of a contract to effect that transition. The optional expedient allows companies to account for the modification as if it was not substantial (i.e., do not treat as an extinguishment of debt). The ASU is intended to help stakeholders during the global market-wide reference rate transition period. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company has formed a cross-functional team to lead the transition from LIBOR to a planned adoption of an alternate index. The Company is in the process of implementing fallback language for loans or working with lead participating banks and expects to adopt the LIBOR transition relief allowed by the optional expedient under this standard. As of December 31, 2022, the Company has identified approximately $129.0 million in outstanding loan balances and a $5.0 million corporate debt security tied to the LIBOR reference rate. The Company has not yet made any contract modifications. The Company is currently evaluating the potential impact of this guidance on its consolidated statements of financial statements and results of operations.

In December 2019, FASB issued ASU 2019-12, *Income Taxes (Topic 740); Simplifying the Accounting for Income Taxes*. ASU 2019-12 provides amendments intended to reduce the cost and complexity in accounting for income taxes while maintaining or improving the usefulness of the information provided to users of financial statements. ASU 2019-12 removes the following exceptions from ASC 740, Income Taxes: (i) exceptions to the incremental approach for intraperiod tax allocation; (ii) exceptions to accounting for basis differences when a foreign subsidiary becomes an equity method investment or a foreign equity method investment become a subsidiary; and (iii) exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. ASU 2019-12 provides the following amendments that simplify and improve guidance with Topic 740: (i) franchise taxes that are based partially on income; (ii) transactions that result in a step up in the tax basis of goodwill; (iii) separate financial statements of legal entities that are not subject to tax; (iv) enacted changes in tax laws in interim periods; and (v) employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. For public business entities, the amendments in ASU 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The adoption of this ASU did not have a material impact on the Company's consolidated statements of financial condition or results of operation.

In September 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current GAAP; and instead requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP, however this ASU requires that credit losses be presented as an allowance rather than as a write-down. ASU 2016-13 affects companies holding financial assets and net investment in leases that are not accounted for at fair value through net income. The ASU 2016-13 amendments affect loans, HTM debt securities, trade receivables, net investments in leases, off balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 was originally effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. In November 2019, the FASB approved a delay of the required implementation date of ASU 2016-13 for smaller reporting companies, including the Company, resulting in a required implementation date for the Company of January 1, 2023. In preparation for the implementation of this ASU, the Company has formed a cross-functional team, contracted with a third-party software provider, and is consulting with a third-party professional advisory service to assist in the model development.

The Company has adopted ASU No. 2016-13 (Topic 326) effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized costs and unfunded commitments.. The Company has largely completed its assessment of related processes, internal controls, and data sources and has developed, documented, and validated discounted cash flow (DCF) model utilizing a third-party software provider. Our allowance for credit losses (“ACL”) estimate uses DCF model and estimation techniques based on historical loss experience, current borrower characteristics, current conditions, forecasts of future economic conditions and other relevant factors. The Company will use models and other loss estimation techniques that are responsive to changes in forecasted economic conditions to interpret borrower and economic factors in order to estimate the ACL. The Company also applies qualitative factors to account for information that may not be reflected in quantitatively derived results. Qualitative factors include: changes in lending policies and procedures; changes in the nature and volume of the loan portfolio; changes in management; changes in the quality of the Bank’s loan review process; the existence of any concentrations of credit and other external factors to ensure the ACL reflects our expected credit losses. The Company expects its ACL estimate to be sensitive to various factors such as current economic conditions. The ACL includes off-balance sheet credit exposures (OBS) such as unfunded loan commitments.

While the Company continues to analyze and evaluate the impact of the adoption of this guidance on the Company’s consolidated financial statements, based upon the Company’s fourth quarter parallel run, assessment of the composition, characteristics and credit quality of the Company's loan portfolio, as well as the economic conditions in effect as of the adoption date - January 1, 2023, management estimates the adoption of ASC 326 will result in will result in a decrease of approximately $3.4 million to the Company’s ACL related to loans receivable and increase of approximately $700,000 in ACL for unfunded commitments. Net impact of the adopting ASC 326, will result in approximately $2.1 million increase to retained earnings, net of deferred taxes. The adjustment recorded upon adoption to record the ACL may fall outside of management’s estimate based on material changes in the economic forecast and conditions and composition of the loan portfolio used in calculating the allowance for credit losses upon adoption.

In December 2018, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (“FDIC”) and the Office of Comptroller of the Currency (“OCC”) approved a final rule to address changes to credit loss accounting under GAAP, including banking organizations’ adoption of the CECL methodology. The final rule provides banking organizations the option to phase-in, over a three-year period, the day-one adverse effects on regulatory capital that may result from the adoption of the new accounting standard. The Company does not expect to use the phase in option upon adoption of this is ASU.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2—EARNINGS PER SHARE

There are no convertible securities, which would affect the numerator in calculating basic and diluted earnings per share; therefore, net income as presented on the Consolidated Statements of Income is used as the numerator.

The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation.

Year Ended December 31,	**2022**	**2021**
(Dollars in Thousands, Except Share and Per Share Data)		
Net Income	$ 11,247	$ 11,570
Weighted-Average Basic Common Shares Outstanding	5,136,670	5,382,441
Dilutive Effect of Common Stock Equivalents (Stock Options and Restricted Stock)	12,642	10,288
Weighted-Average Diluted Common Shares and Common Stock Equivalents Outstanding	5,149,312	5,392,729
Earnings Per Share:		
Basic	$ 2.19	$ 2.15
Diluted	2.18	2.15

The dilutive effect on weighted average diluted common shares outstanding is the result of outstanding stock options and nonvested restricted stock. The following table presents as of the periods indicated (a) options to purchase shares of common stock that were outstanding but not included in the computation of earnings per share because the options' exercise price was greater than the average market price of the common shares for the period, and (b) shares of restricted stock awards that were not included in the computation of diluted earnings per share because the hypothetical repurchase of shares under the treasury stock method exceeded the weighted average nonvested restricted awards, therefore the effects would be anti-dilutive.

Year Ended December 31,	**2022**	**2021**
Stock Options	163,348	69,741
Restricted Stock	38,140	17,100

NOTE 3—SECURITIES

The amortized cost and fair value of securities available-for-sale as of the dates indicated are as follows:

	2022			
December 31,	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
(Dollars in Thousands)				
Available-for-Sale Debt Securities:				
U.S. Government Agencies	$ 53,993	$ —	$ (9,359)	$ 44,634
Obligations of States and Political Subdivisions	14,053	—	(711)	13,342
Mortgage-Backed Securities - Government-Sponsored Enterprises	46,345	—	(4,918)	41,427
Collateralized Mortgage Obligations - Government Sponsored Enterprises	96,930	—	(17,288)	79,642
Corporate Debt	9,487	—	(1,172)	8,315
Total Available-for-Sale Debt Securities	$ 220,808	$ —	$ (33,448)	187,360
Equity Securities:				
Mutual Funds				875
Other				1,823
Total Equity Securities				2,698
Total Securities				$ 190,058

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31,	2021 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(Dollars in Thousands)				
Available-for-Sale Debt Securities:				
U.S. Government Agencies	$ 53,992	$ 2	$ (1,433)	$ 52,561
Obligations of States and Political Subdivisions	17,951	1,004	—	18,955
Mortgage-Backed Securities - Government-Sponsored Enterprises	55,373	1,468	(282)	56,559
Collateralized Mortgage Obligations - Government Sponsored Enterprises	88,493	164	(2,074)	86,583
Corporate Debt	7,481	—	(31)	7,450
Total Available-for-Sale Debt Securities	$ 223,290	$ 2,638	$ (3,820)	222,108
Equity Securities:				
Mutual Funds				990
Other				1,876
Total Equity Securities				2,866
Total Securities				$ 224,974

The following tables show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at the dates indicated:

	2022								
	Less than 12 months			12 Months or Greater			Total		
December 31,	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
(Dollars in Thousands)									
U.S. Government Agencies	1	$ 2,600	$ (400)	12	$ 42,034	$ (8,959)	13	$ 44,634	$ (9,359)
Obligations of States and Political Subdivisions	34	13,342	(711)	—	—	—	34	13,342	(711)
Mortgage-Backed Securities - Government Sponsored Enterprises	34	19,433	(1,018)	8	21,994	(3,900)	42	41,427	(4,918)
Collateralized Mortgage Obligations - Government Sponsored Enterprises	12	25,395	(3,393)	10	54,247	(13,895)	22	79,642	(17,288)
Corporate Debt	1	1,665	(335)	2	6,650	(837)	3	8,315	(1,172)
Total	82	$ 62,435	$ (5,857)	32	$ 124,925	$ (27,591)	114	$ 187,360	$ (33,448)

	2021								
	Less than 12 months			12 Months or Greater			Total		
December 31,	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
(Dollars in Thousands)									
U.S. Government Agencies	5	$ 17,729	$ (269)	7	$ 31,830	$ (1,164)	12	$ 49,559	$ (1,433)
Mortgage-Backed Securities - Government Sponsored Enterprises	8	28,772	(282)	—	—	—	8	28,772	(282)
Collateralized Mortgage Obligations - Government Sponsored Enterprises	10	77,560	(2,074)	—	—	—	10	77,560	(2,074)
Corporate Debt	2	7,450	(31)	—	—	—	2	7,450	(31)
Total	25	$ 131,511	$ (2,656)	7	$ 31,830	$ (1,164)	32	$ 163,341	$ (3,820)

For debt securities, the Company does not believe any individual unrealized loss as of December 31, 2022 or 2021, represents an other-than-temporary impairment. The securities that are temporarily impaired at December 31, 2022 and 2021, relate principally to changes in interest rates subsequent to the acquisition of the specific securities. The Company does not intend to sell and it is not more likely than not that it will be required to sell, any of the securities in an unrealized loss position before recovery of its amortized cost or maturity of the security.

Securities available-for-sale with a fair value of $175.6 million and $121.0 million at December 31, 2022 and 2021, respectively, are pledged to secure public deposits, short-term borrowings and for other purposes as required or permitted by law.

The scheduled maturities of securities available-for-sale are summarized as follows. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay debt obligations with or without prepayment penalties. Mortgage-backed securities and collateralized mortgage obligations are classified in the table below based on their contractual maturity date; however, regular principal payments and prepayments of principal are received on a monthly basis.

	2022	
December 31,	**Amortized Cost**	**Fair Value**
(Dollars in Thousands)		
Due in One Year or Less	$ 245	$ 244
Due after One Year through Five Years	12,844	11,559
Due after Five Years through Ten Years	71,716	61,383
Due after Ten Years	136,003	114,174
Total	$ 220,808	$ 187,360

The following table presents the gross realized gain and loss on sales of debt securities, as well as gain and loss on equity securities from both sales and market adjustments for the periods indicated. All gains and losses presented in the table below are reported in Net Gain on Securities on the Consolidated Statements of Income.

Year Ended December 31,	**2022**	**2021**
(Dollars in Thousands)		
Debt Securities		
Gross Realized Gain	$ —	$ 225
Gross Realized Loss	—	—
Net Gain on Debt Securities	$ —	$ 225
Equity Securities		
Net Unrealized (Loss) Gain Recognized on Securities Held	$ (168)	$ 295
Net Realized Gain Recognized on Securities Sold	—	6
Net (Loss) Gain on Equity Securities	$ (168)	$ 301
Net (Loss) Gain on Securities	$ (168)	$ 526

In 2022, there were no gross realized gains or losses on the sale of debt securities. In 2021, the realized gain on the sale of debt securities was recognized to mitigate investment-credit risk and to reinvest in higher yielding, longer-term investments as well as to mitigate call risk in a declining interest rate environment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4—LOANS AND RELATED ALLOWANCE FOR LOAN LOSSES

The following table summarizes the major classifications of loans as of the dates indicated:

December 31,	2022	2021
(Dollars in Thousands)		
Real Estate:		
Residential	$ 330,725	$ 320,798
Commercial	436,805	392,124
Construction	44,923	85,028
Commercial and Industrial	70,044	89,010
Consumer	146,927	122,152
Other	20,449	11,684
Total Loans	$ 1,049,873	$ 1,020,796
Allowance for Loan Losses	(12,819)	(11,582)
Loans, Net	$ 1,037,054	$ 1,009,214

The SBA reopened the PPP in January 2021 and began accepting applications for both First Draw and Second Draw PPP Loans. Second Draw PPP Loans were available for certain eligible borrowers that previously received a PPP loan. A Second Draw PPP Loan has the same general terms as the First Draw PPP Loan. A borrower was generally eligible for a Second Draw PPP Loan if the borrower previously received a First Draw PPP Loan and will or had used the full amount only for authorized uses, had no more than 300 employees, and demonstrated at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. For most borrowers, the maximum amount of a Second Draw PPP Loan was 2.5x average monthly 2019 or 2020 payroll costs up to $2.0 million. Loan payments are deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower’s loan forgiveness (either 8 weeks or 24 weeks). For PPP loans made in 2021, the processing fee from the SBA was the lesser of 50% or $2,500 for loans up to $50,000, 5% for loans greater than $50,000 and up to $350,000, 3% for loans greater than $350,000 and less than $2.0 million and 1% for loans of at least $2.0 million.

The following table presents PPP loan activity segregated by loans originated in 2020 and 2021.

	PPP Loans Remaining		
	Number of Loans	Principal Balance	Net Deferred Origination Fees
(Dollars in Thousands)			
December 31, 2020	507	$ 55,096	$ 1,133
PPP Loans Originated	218	34,617	1,268
PPP Loan Forgiveness	(570)	(63,958)	(1,558)
Principal Payments or Net Deferred Origination Fees Recognized on Unforgiven PPP Loans	—	(554)	(165)
December 31, 2021	155	$ 25,201	$ 678
PPP Loans Originated	—	$ —	$ —
PPP Loan Forgiveness	(145)	(25,038)	(671)
Principal Payments or Net Deferred Origination Fees Recognized on Unforgiven PPP Loans	—	(32)	(2)
December 31, 2022	10	$ 131	$ 5

Net deferred origination fees recognized on PPP loans totaled $673,000 and $1.7 million during the years ended December 31, 2022 and 2021. All PPP loans are classified as commercial and industrial loans. No allowance for loan loss was allocated to the PPP loan portfolio due to the Bank complying with the lender obligations that ensure SBA guarantee.

Total unamortized net deferred loan fees were $1.2 million and $1.9 million at December 31, 2022 and 2021, respectively. $5,000 and $678,000 of net deferred PPP loan origination fees were unearned as of December 31, 2022 and 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents loans summarized by the aggregate pass and the criticized categories of special mention, substandard and doubtful within the internal risk rating system as of dates indicated. At December 31, 2022 and 2021, there were no loans in the criticized category of loss.

December 31,	2022				
	Pass	Special Mention	Substandard	Doubtful	Total
(Dollars in Thousands)					
Real Estate:					
Residential	$ 327,531	$ 1,180	$ 2,014	$ —	$ 330,725
Commercial	395,168	29,680	11,957	—	436,805
Construction	42,693	1,912	318	—	44,923
Commercial and Industrial	58,562	10,977	90	415	70,044
Consumer	146,807	—	120	—	146,927
Other	20,394	55	—	—	20,449
Total Loans	$ 991,155	$ 43,804	$ 14,499	$ 415	$ 1,049,873

December 31,	2021				
	Pass	Special Mention	Substandard	Doubtful	Total
(Dollars in Thousands)					
Real Estate:					
Residential	$ 317,964	$ 845	$ 1,989	$ —	$ 320,798
Commercial	355,895	27,168	9,061	—	392,124
Construction	69,441	13,035	2,552	—	85,028
Commercial and Industrial	72,584	14,463	1,451	512	89,010
Consumer	122,136	—	16	—	122,152
Other	11,616	68	—	—	11,684
Total Loans	$ 949,636	$ 55,579	$ 15,069	$ 512	$ 1,020,796

The decrease of $11.8 million in the special mention category as of December 31, 2022 compared to December 31, 2021 was mainly from commercial real estate and commercial and industrial loan upgrades and payoffs, and a $2.7 million commercial and industrial loan charge-off.

The following tables present the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of the dates indicated:

December 31,	2022						
	Loans Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Non-Accrual	Total Loans
(Dollars in Thousands)							
Real Estate:							
Residential	$ 325,591	$ 3,451	$ 34	$ —	$ 3,485	$ 1,649	$ 330,725
Commercial	434,933	58	—	—	58	1,814	436,805
Construction	44,923	—	—	—	—	—	44,923
Commercial and Industrial	69,621	8	—	—	8	415	70,044
Consumer	145,887	854	66	—	920	120	146,927
Other	20,449	—	—	—	—	—	20,449
Total Loans	$ 1,041,404	$ 4,371	$ 100	$ —	$ 4,471	$ 3,998	$ 1,049,873

	2021						
December 31,	Loans Current	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Non-Accrual	Total Loans
(Dollars in Thousands)							
Real Estate:							
Residential	$ 317,583	$ 1,805	$ 17	$ —	$ 1,822	$ 1,393	$ 320,798
Commercial	389,522	544	—	—	544	2,058	392,124
Construction	85,028	—	—	—	—	—	85,028
Commercial and Industrial	87,407	107	—	—	107	1,496	89,010
Consumer	121,636	419	81	—	500	16	122,152
Other	11,684	—	—	—	—	—	11,684
Total Loans	$ 1,012,860	$ 2,875	$ 98	$ —	$ 2,973	$ 4,963	$ 1,020,796

The decrease in nonaccrual commercial and industrial loans at December 31, 2022 compared to December 31, 2021 is primarily related to the payoff in the current year of a client relationship that included two nonperforming commercial and industrial loans for $1.5 million

Total unrecorded interest income related to nonaccrual loans was $203,000 and $122,000 for the year ended December 31, 2022 and 2021, respectively.

A summary of the loans considered impaired and evaluated for impairment as of the dates indicated are as follows:

	2022				
December 31,	Recorded Investment	Related Allowance	Unpaid Principal Balance	Average Recorded Investment	Interest Income Recognized
(Dollars in Thousands)					
With No Related Allowance Recorded:					
Real Estate:					
Residential	$ 1,042	$ —	$ 1,047	$ 1,085	$ 51
Commercial	11,609	—	11,766	10,928	549
Construction	318	—	318	403	19
Commercial and Industrial	505	—	777	734	35
Total With No Related Allowance Recorded	$ 13,474	$ —	$ 13,908	$ 13,150	$ 654
With A Related Allowance Recorded:					
Real Estate:					
Commercial	$ 1,608	$ 21	$ 1,608	$ 954	$ 79
Construction	—	—	—	830	36
Commercial and Industrial	7	3	7	253	1
Total With A Related Allowance Recorded	$ 1,615	$ 24	$ 1,615	$ 2,037	$ 116
Total Impaired Loans:					
Real Estate:					
Residential	$ 1,042	$ —	$ 1,047	$ 1,085	$ 51
Commercial	13,217	21	13,374	11,882	628
Construction	318	—	318	1,233	55
Commercial and Industrial	512	3	784	987	36
Total Impaired Loans	$ 15,089	$ 24	$ 15,523	$ 15,187	$ 770

December 31,	2021 Recorded Investment	Related Allowance	Unpaid Principal Balance	Average Recorded Investment	Interest Income Recognized
(Dollars in Thousands)					
With No Related Allowance Recorded:					
Real Estate:					
Residential	$ 1,133	$ —	$ 1,137	$ 1,158	$ 46
Commercial	9,733	—	9,787	27,207	927
Construction	540	—	540	887	34
Commercial and Industrial	1,979	—	2,286	3,230	49
Total With No Related Allowance Recorded	$ 13,385	$ —	$ 13,750	$ 32,482	$ 1,056
With A Related Allowance Recorded:					
Real Estate:					
Commercial	$ 266	$ 195	$ 266	$ 421	$ 19
Construction	2,013	104	2,013	169	7
Commercial and Industrial	—	—	—	1,316	29
Total With A Related Allowance Recorded	$ 2,279	$ 299	$ 2,279	$ 1,906	$ 55
Total Impaired Loans:					
Real Estate:					
Residential	$ 1,133	$ —	$ 1,137	$ 1,158	$ 46
Commercial	9,999	195	10,053	27,628	946
Construction	2,553	104	2,553	1,056	41
Commercial and Industrial	1,979	—	2,286	4,546	78
Total Impaired Loans	$ 15,664	$ 299	$ 16,029	$ 34,388	$ 1,111

The recorded investment of loans evaluated for impairment decreased $575,000 at December 31, 2022 compared to December 31, 2021 and was largely related to commercial real estate loans. This was primarily the result in the current period of no longer separately evaluating for impairment certain commercial real estate loans secured by hotels that have manageable loan-to-value ratios and exhibited an ability to cash flow during the COVID-19 pandemic.

At December 31, 2021, there was one loan in forbearance for a $1.9 million commercial real estate loan secured by a hotel, which was considered a troubled debt restructuring upon providing an additional forbearance period and modified payment terms. The loan was substandard rated at December 31, 2022 and 2021, respectively, and is designated as a nonaccrual loan.

The recorded investment of residential real estate loans for which formal foreclosure proceedings were in process according to applicable requirements of the local jurisdiction was $1.4 million and $571,000 at December 31, 2022 and 2021, respectively.

The concessions granted for the TDRs in the portfolio primarily consist of, but are not limited to, modification of payment or other terms and extension of maturity date. Loans classified as TDRs consisted of 12 and 15 loans totaling $4.0 million and $4.7 million as of December 31, 2022 and 2021, respectively.

During the year ended December 31, 2022, a $39,000 residential real estate loan and two commercial real estate loans of $270,000 previously modified in TDRs paid off. During the year ended December 31, 2021, one residential real estate loans totaling $3,000 and a $8,000 commercial and industrial loan previously modified in TDRs paid off.

No TDRs subsequently defaulted during the years ended December 31, 2022 and 2021, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

No loans were modified into a TDR during the year ended December 31, 2022. The following table presents information at the time of modification related to loans modified as TDRs during the period indicated.

Year Ended December 31, 2021	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Related Allowance
(Dollars in Thousands)				
Real Estate				
Commercial	1	$ 1,958	$ 1,958	$ —
Total	1	$ 1,958	$ 1,958	$ —

Loans acquired in connection with the previous mergers were recorded at their estimated fair value at the acquisition date and did not include a carryover of the allowance for loan losses because the determination of the fair value of acquired loans incorporated credit risk assumptions. The loans acquired with evidence of deterioration in credit quality since origination for which it was probable that all contractually required payments would not be collected were not significant to the consolidated financial statements of the Company.

The activity in the allowance for loan loss summarized by primary segments and segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for potential impairment as of December 31, 2022 and 2021 is summarized below:

	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial	Consumer	Other	Unallocated	Total
)Dollars in Thousands)								
December 31, 2021	$ 1,420	$ 5,960	$ 1,249	$ 1,151	$ 1,050	$ —	$ 752	$ 11,582
Charge-offs	(32)	—	—	(2,712)	(151)	—	—	(2,895)
Recoveries	145	—	—	117	86	—	—	348
Provision (Recovery) for Loan Losses	541	(150)	(747)	3,757	532	—	(149)	3,784
December 31, 2022	$ 2,074	$ 5,810	$ 502	$ 2,313	$ 1,517	$ —	$ 603	$ 12,819
Individually Evaluated for Impairment	$ —	$ 21	$ —	$ 3	$ —	$ —	$ —	$ 24
Collectively Evaluated for Potential Impairment	$ 2,074	$ 5,789	$ 502	$ 2,310	$ 1,517	$ —	$ 603	$ 12,795

	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial	Consumer	Other	Unallocated	Total
(Dollars in Thousands)								
December 31, 2020	$ 2,249	$ 6,010	$ 889	$ 1,423	$ 1,283	$ —	$ 917	$ 12,771
Charge-offs	(13)	(40)	—	—	(213)	—	—	(266)
Recoveries	17	—	—	43	142	—	—	202
(Recovery) Provision for Loan Losses	(833)	(10)	360	(315)	(162)	—	(165)	(1,125)
December 31, 2021	$ 1,420	$ 5,960	$ 1,249	$ 1,151	$ 1,050	$ —	$ 752	$ 11,582
Individually Evaluated for Impairment	$ —	$ 195	$ 104	$ —	$ —	$ —	$ —	$ 299
Collectively Evaluated for Potential Impairment	$ 1,420	$ 5,765	$ 1,145	$ 1,151	$ 1,050	$ —	$ 752	$ 11,283

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the major classifications of loans summarized by individually evaluated for impairment and collectively evaluated for potential impairment as of December 31, 2022 and 2021:

	2022						
December 31,	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial	Consumer	Other	Total
(Dollars in Thousands)							
Individually Evaluated for Impairment	$ 1,042	$ 13,217	$ 318	$ 512	$ —	$ —	$ 15,089
Collectively Evaluated for Potential Impairment	329,683	423,588	44,605	69,532	146,927	20,449	1,034,784
Total Loans	$ 330,725	$ 436,805	$ 44,923	$ 70,044	$ 146,927	$ 20,449	$ 1,049,873

	2021						
December 31,	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial	Consumer	Other	Total
(Dollars in Thousands)							
Individually Evaluated for Impairment	$ 1,133	$ 9,999	$ 2,553	$ 1,979	$ —	$ —	$ 15,664
Collectively Evaluated for Potential Impairment	319,665	382,125	82,475	87,031	122,152	11,684	1,005,132
Total Loans	$ 320,798	$ 392,124	$ 85,028	$ 89,010	$ 122,152	$ 11,684	$ 1,020,796

The following table presents changes in the accretable discount on the loans acquired at fair value for the dates indicated.

	Accretable Discount
(Dollars in Thousands)	
Balance at December 31, 2020	$ 1,194
Accretable Yield	(468)
Balance at December 31, 2021	726
Accretable Yield	(239)
Balance at December 31, 2022	$ 487

Certain directors and executive officers of the Company, including family members or companies in which they are principal owners, are loan customers of the Company. Such loans are made in the normal course of business, and summarized as follows:

	2022	2021
(Dollars in Thousands)		
Balance, January 1	$ 15,639	$ 10,893
Additions	4,650	6,644
Payments	(2,871)	(1,898)
Balance, December 31	$ 17,418	$ 15,639

NOTE 5—PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

(Dollars in Thousands)	2022	2021
Land	$ 2,344	$ 2,380
Building	19,374	19,475
Leasehold Improvements	749	730
Furniture, Fixtures, and Equipment	10,201	10,283
Fixed Assets in Process	1,645	1,417
Total Premises and Equipment	34,313	34,285
Less: Accumulated Depreciation and Amortization	(16,469)	(15,886)
Premises and Equipment, Net	$ 17,844	$ 18,399

Depreciation and amortization expense on premises and equipment was $1.0 million and $950,000 for the years ended December 31, 2022 and 2021, respectively.

Branch Optimization and Operational Efficiency Initiatives and Impairment of Long-Lived Assets

In 2021, the Company announced the implementation of branch optimization and operational efficiency strategic initiatives to improve the Bank's financial performance and operations in order to position the Bank for continued profitable growth through the optimization of its branch network while expanding technology and infrastructure investments in its remaining locations. The decision was the result of a comprehensive internal study that measured branch performance by comparing financial and non-financial indicators to growth opportunities, while evolving changes in consumer preferences, largely driven by the global pandemic, led to an acceleration of branch optimization efforts. The Bank also completed a comprehensive review of its branch network and operating environment to identify solutions to improve operating performance. This review prioritized profitability, efficiency, infrastructure and client experience improvements, automation in operations, and digital marketing and technology investments and the Bank is in process of implementing operational efficiencies related to individualized processes within its branch network and operating environment.

The Bank has substantially completed these initiatives through the consolidation of six branches that was completed on June 30, 2021. In addition, CB Financial, Community Bank, and Citizens Bank of West Virginia, Inc. ("Citizens Bank") executed a Purchase and Assumption Agreement (the "Agreement") pursuant to which Citizens Bank agreed to purchase certain loans and other assets, and assume certain deposits and other liabilities, of the branch offices of Community Bank located in Buckhannon, West Virginia, and New Martinsville, West Virginia. The divestiture of two branches in December 2021 resulted in the sale of $102.8 million of deposits, $6.1 million of loans and $795,000 of premises and equipment and the recognition of a $5.2 million pre-tax gain on sale from a 5.0% premium paid by Citizens Bank on the assumed deposits. The branch optimization initiative reduced the Bank's branch network to 14 branches as of December 31, 2021.

As a result of the events and changes in circumstances associated with the branch optimization initiatives whereby six branches were consolidated and two others were divested, the Company performed assessments of the recoverability of long-lived assets to determine whether their carrying values may not be recoverable. Utilizing guidance in ASC 360, the Company performed the three step process to identify, recognize and measure the impairment of the long-lived assets.

- For the six locations that were consolidated:
  - Three locations were written down to the fair value of the land based on the appraised value due to plans to raze the buildings.
  - Two locations were marketed for sale and were written down to fair value based on the appraised value. One of these locations was subsequently donated resulting in a $230,000 charitable donation.
  - One location was leased. Refer to Note 14 for further discussion of the impairment of the right of use asset associated with the operating lease.
- For the two branches that were divested, the fair value of the premises and equipment was determined using the contractual terms of the Agreement, whereby the premises and equipment were purchased at the acquisition date for $795,000 based on the Company's net book value, net of a $338,000 contractual discount.

For the year ended December 31, 2021, the Company recognized $2.3 million in charges on the premises and equipment as a Writedown on Premises and Equipment in the Consolidated Statements of Income.

The branch optimization and operational efficiency initiatives resulted in $7.5 million of restructuring-related and other expenses for the year ended December 31, 2021. The expenses include the aforementioned $2.3 million writedown on premises and equipment and $1.2 million impairment of intangible assets associated with the branch sales (refer to Note 6 for further information), as well as $4.1 million of expenses related to contracted services, employee severance costs, branch lease impairment (refer to Note 14 for further information), professional fees, data processing fees, charitable donations, legal and other expenses for the year ended December 31, 2021.

NOTE 6—GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company's Consolidated Balance Sheets include goodwill of $9.7 million as of December 31, 2022 and 2021, respectively, all of which relates to Community Banking segment.

Intangible Assets

The following table presents a summary of intangible assets subject to amortization at the dates indicated.

	2022			2021			
December 31,	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Value**	**Gross Carrying Amount**	**Accumulated Amortization**	**Impairment**	**Net Carrying Value**
(Dollars in Thousands)							
Core Deposit Intangible	$ 11,860	$ (9,310)	$ 2,550	$ 14,103	$ (8,783)	$ (1,178)	$ 4,142
Customer List	1,800	(837)	963	1,800	(647)	—	1,153
Total Intangible Assets	$ 13,660	$ (10,147)	$ 3,513	$ 15,903	$ (9,430)	$ (1,178)	$ 5,295

On June 10, 2021, an Agreement was executed with Citizens Bank pursuant to which Citizens Bank agreed to assume certain deposits of the branch offices of Community Bank located in Buckhannon, West Virginia, and in New Martinsville, West Virginia. In 2018, the Company recorded a core deposit intangible asset related to the acquisition of these two branches as part of the merger with First West Virginia Bancorp, Inc. As a result of signing the Agreement and the sale of a portion of the deposits associated with the remaining core deposit intangible, the Company performed an evaluation to determine whether the core deposit intangible was impaired. As a result of the evaluation, the Company determined the carrying amount of the core deposit intangible was impaired $1.2 million. The Company recorded the impairment in Intangible Asset and Goodwill Impairment on the Consolidated Statements of Income.

Amortization of intangible assets totaled $1.8 million and $1.9 million for the years ended December 31, 2022 and 2021, respectively. The estimated amortization expense of intangible assets assumes no activities, such as acquisitions, which would result in additional amortizable intangible assets. Estimated amortization expense of intangible assets in subsequent fiscal years is as follows.

	Amount
(Dollars in Thousands)	
2023	$ 1,782
2024	1,147
2025	189
2026	189
2027	189
2028 and Thereafter	17
Total Estimated Intangible Asset Amortization Expense	$ 3,513

NOTE 7—DEPOSITS

The following table shows the maturities of time deposits for the next five years and beyond.

December 31,	2022
(Dollars in Thousands)	
One Year or Less	$ 69,355
Over One Through Two Years	15,599
Over Two Through Three Years	8,657
Over Three Through Four Years	8,171
Over Four Through Five Years	4,069
Over Five Years	3,275
Total	$ 109,126

The balance in time deposits that meet or exceed the FDIC insurance limit of $250,000 totaled $30.8 million and $40.6 million as of December 31, 2022 and 2021, respectively.

The aggregate amount of demand deposits that are overdrawn and have been reclassified as loans was $613,000 and $192,000 as of December 31, 2022 and 2021, respectively.

Certain directors and executive officers of the Company, including family members or companies in which they are principal owners, are deposit customers of the Company. The total deposits of directors and executive officers was $5.7 million and $7.3 million as of December 31, 2022 and 2021, respectively.

NOTE 8—SHORT-TERM BORROWINGS

Borrowings with original maturities of one year or less are classified as short-term and may consist of borrowings with the FHLB, securities sold under agreements to repurchase or borrowings on revolving lines of credit with the Federal Reserve Bank or other correspondent banks. Securities sold under repurchase agreements are comprised of customer repurchase agreements, which are overnight sweep accounts with next-day maturities utilized by commercial customers to earn interest on their funds. U.S. government agencies, mortgage-backed securities, and collateralized mortgage obligations are pledged as collateral under these agreements in an amount at least equal to the outstanding balance and the collateral pledging requirements are monitored on a daily basis.

The following table sets forth the components of short-term borrowings for the years indicated.

	2022		2021	
December 31,	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in Thousands)				
Securities Sold Under Agreements to Repurchase:				
Balance at Period End	$ 8,060	0.19 %	$ 39,266	0.17 %
Average Balance Outstanding During the Period	27,381	0.23	43,988	0.22
Maximum Amount Outstanding at any Month End	39,219		52,777	
Securities Collateralizing the Agreements at Period-End:				
Carrying Value	$ 10,947		$ 59,867	
Market Value	9,396		59,339	

NOTE 9—OTHER BORROWED FUNDS

FHLB, Federal Reserve Bank, and Fed Fund Borrowing Arrangements

The Bank maintained a credit arrangement with the FHLB with a maximum borrowing limit of approximately $435.3 million and $427.2 million as of December 31, 2022 and 2021, respectively, and available borrowing capacity of $407.4 million at December 31, 2022. This arrangement is subject to annual renewal and is secured by a blanket security agreement on $602.5 million of residential and commercial mortgage loans and the Bank's investment in FHLB stock. Under this arrangement the

Bank had available a variable rate line of credit in the amount of $150.0 million as of December 31, 2022 and 2021, of which, there was no outstanding balance as of December 31, 2022 and 2021. Fixed rate, long-term advances from the FHLB with remaining maturities are as follows at the dates indicated:

December 31,	2022 Amount	2022 Weighted Average Rate	2021 Amount	2021 Weighted Average Rate
(Dollars in Thousands)				
Due in One Year	$ —	— %	$ 3,000	2.41 %
Due After One Year to Two Years	—	—	—	—
Due After Two Years to Three Years	—	—	—	—
Total	$ —	—	$ 3,000	2.41

As an alternative to pledging securities, the FHLB periodically provides standby letters of credit on behalf of the Bank to secure certain public deposits in excess of the level insured by the FDIC. If the FHLB is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to the Bank. Standby letters of credit issued on our behalf by the FHLB to secure public deposits were $26.2 million and $62.0 million as of December 31, 2022 and 2021.

The Bank maintains a Borrower-In-Custody of Collateral line of credit agreement with the Federal Reserve Bank ("FRB") for $119.0 million that requires monthly certification of collateral, is subject to annual renewal and is secured by $172.9 million of commercial and consumer indirect auto loans. The Bank also maintains multiple line of credit arrangements with various unaffiliated banks totaling $50.0 million as of December 31, 2022 and 2021, respectively, of which no draws are outstanding other than the subordinated debt disclosed below.

Subordinated Debt

In December 2021, the Company entered into a term loan in the principal amount of $15.0 million, evidenced by a term note which matures on December 15, 2031 ("2031 Note"). The 2031 Note is an unsecured subordinated obligation of the Company and may be repaid in whole or in part, without penalty, on any interest payment date on or after December 15, 2026 and at any time upon the occurrence of certain events. The 2031 Note initially bears a fixed interest rate of 3.875% per year to, but excluding, December 15, 2026 and thereafter at a floating rate equal to the then-current three-month term SOFR plus 280 basis points. The 2031 Note qualifies as Tier 2 capital under regulatory guidelines. The 2031 Note is recorded on the Consolidated Statements of Financial Condition in Other Borrowed Funds, net of remaining debt issuance costs. At December 31, 2022 and 2021, the principal balance and unamortized debt issuance costs for the 2031 Note were $15.0 million, and $362,000 and $399,000, respectively.

NOTE 10—INCOME TAXES

Reconciliation of income tax provision for the periods indicated are as follows:

Year Ended December 31,	2022	2021
(Dollars in Thousands)		
Current Payable	$ 3,368	$ 3,373
Deferred Benefit	(535)	(248)
Total Provision	$ 2,833	$ 3,125

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of deductible and taxable temporary differences that gave rise to significant portions of the net deferred tax assets and liabilities are as follows:

December 31, *(Dollars in Thousands)*	**2022**	**2021**
Deferred Tax Assets:		
Allowance for Loan Losses	$ 2,762	$ 2,507
Non-Accrual Loan Interest	54	65
Amortization of Intangibles	105	95
Unrealized Loss of AFS - Merger Tax Adjustment	731	789
Postretirement Benefits	20	23
Net Unrealized Loss on Securities	7,206	254
Stock-Based Compensation Expense	70	66
Gas Lease - Deferred Revenue	37	65
Accrued Payroll	—	33
Purchase Accounting Adjustments - Acquired Loans	105	156
Lease Liability	450	189
Right of Use Asset Impairment	60	43
Purchase Accounting Adjustments - Fixed Assets	62	—
Restructuring Costs	139	238
Other	—	10
Gross Deferred Tax Assets	11,801	4,533
Deferred Tax Liabilities:		
Deferred Origination Fees and Costs	277	280
Discount Accretion	34	24
Depreciation	1,402	1,425
Net Unrealized Gain on Equity Securities	1	37
Mortgage Servicing Rights	136	157
Accrued Payroll	3	—
ROU Asset	464	194
Purchase Accounting Adjustments - Core Deposit Intangible	549	948
Purchase Accounting Adjustments - Fixed Assets	—	25
Purchase Accounting Adjustments - Certificates of Deposit	—	—
Goodwill	74	74
Other	5	—
Gross Deferred Tax Liabilities	2,945	3,164
Net Deferred Tax Assets	$ 8,856	$ 1,369

Deferred taxes at December 31, 2022 and 2021, are included in Accrued Interest Receivable and Other Assets in the accompanying Consolidated Statements of Financial Condition.

A reconciliation of the federal income tax expense at statutory income tax rates and the actual income tax expense on income before taxes for the periods indicated is as follows:

	2022		2021	
Year Ended December 31,	**Amount**	**Percent of Pre-tax Income**	**Amount**	**Percent of Pre-tax Income**
(Dollars in Thousands)				
Provision at Statutory Rate	$ 2,957	21.0 %	$ 3,086	21.0 %
State Taxes (Net of Federal Benefit)	222	1.6	198	1.4
Tax-Free Income	(192)	(1.4)	(216)	(1.5)
BOLI Income	(122)	(0.9)	(124)	(0.9)
Stock Options - ISO	25	0.2	12	0.1
Goodwill Impairment	—	—	1	—
Other	(57)	(0.4)	168	1.0
Actual Tax Expense and Effective Rate	$ 2,833	20.1 %	$ 3,125	21.1 %

The Company's federal, Pennsylvania and West Virginia income tax returns are no longer subject to examination by applicable tax authorities for years before 2019. As of December 31, 2022 and 2021, there were no unrecognized tax benefits. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no interest or penalties accrued at December 31, 2022 and 2021.

NOTE 11—EMPLOYEE BENEFITS

Savings and Profit Sharing Plan

The Company maintains a Cash or Deferred Profit-sharing Section 401(k) Plan with contributions matching those by eligible employees for the first 4% of an employee's contribution at the rate of $0.25 on the dollar. All employees who are over the age of 18 and completed three months of employment are eligible to participate in the plan. The Company made contributions of $233,000 and $296,000 for the years ended December 31, 2022 and 2021, respectively, to this plan. The 401(k) Plan includes a "safe harbor" provision and a discretionary retirement contribution. The Company made contributions of $404,000 and $659,000 for the "safe harbor" provision and discretionary retirement contribution for the years ended December 31, 2022 and 2021, respectively.

Equity Incentive Plan

Details of the restricted stock award and stock option grants under the 2021 Equity Incentive Plan are summarized for the year ended December 31, 2022 as follows. The Company did not grant restricted stock awards or stock options for the year ended December 31, 2021.

	2022
Number of Restricted Shares Granted	27,765
Weighted Average Grant Date Common Stock Price	$ 25.29
Restricted Shares Market Value Before Tax	$ 702,000
Number of Stock Options Granted	104,465
Stock Options Market Value Before Tax	$ 510,000
Summary of Significant Assumptions for Newly Issued Stock Options	
Expected Life in Years	6.5
Expected Dividend Yield	3.79%
Risk-free Interest Rate	1.97%
Expected Volatility	28.82%
Weighted Average Grant Date Fair Value	$ 4.88

The Company recognizes expense over a five-year vesting period for the restricted stock awards and stock options. Stock-based compensation expense related to restricted stock awards and stock options was $600,000 and $566,000 for the years ended

December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, total unrecognized compensation expense was $429,715 and $65,000, respectively, related to stock options, and $1.4 million and $1.3 million related to restricted stock awards. At December 31, 2022, the unrecognized compensation expense related to stock options and restricted stock is expected to be recognized over the weighted average remaining vesting period of 4.92 years. In conjunction with non-qualified stock options, the Company recognized a tax benefit due to an exercise of non-qualified stock options for $2,000 for the year ended December 31, 2022, compared to the accrued tax benefit of $5,000 for the year ended December 31, 2021. In the current year, there was an exercise of non-qualified stock options with a tax expense of $4,000 partially offset by the benefit of $2,000.

Intrinsic value represents the amount by which the fair value of the underlying stock at December 31, 2022 and 2021, exceeds the exercise price of the stock options. The intrinsic value of outstanding stock options was $25,470 and $296,000 at December 31, 2022 and 2021, respectively.

At December 31, 2022, there were 333,335 shares of common stock available and reserved under the 2021 Plan to be issued of which a maximum of 333,335 shares may be issued as stock options and 133,334 shares may be issued as restricted stock awards or units based on the terms of the Plan whereby the Share Limit is reduced, on a one-for-one basis, for each share of common stock subject to a stock option grant, and on a two and one-half-for-one basis for each share of common stock issued pursuant to restricted stock awards or units. At December 31, 2022, 27,765 restricted shares and 104,465 options have been granted under the 2021 Plan. At December 31, 2021, under the 2021 Plan, 500,000 or 200,000 shares,were available to be issued in connection with the exercise of stock options and restricted stock awards or units; and under the 2015 Plan, no shares were available to issue. The 2015 Plan shall remain in effect as long as any awards are outstanding, but as a result of the approval of the 2021 Plan, no more awards can be granted under the 2015 Plan.

The following table presents stock option data for the period indicated:

	2022			2021		
	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life in Years**	**Number of Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life in Years**
Outstanding Options at Beginning of Year	207,641	$ 24.01	4.8	218,683	$ 23.91	5.8
Granted	104,465	25.31		—	—	
Exercised	(15,500)	21.54		(8,600)	21.29	
Forfeited	(12,858)	26.43		(2,442)	24.18	
Outstanding Options at End of Year	283,748	24.52	5.6	207,641	24.01	4.8
Exercisable Options at End of Year	174,683	$ 24.42	3.5	187,015	$ 24.17	4.4

	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Service Period in Years**
Nonvested Options December 31, 2020	38,442	$ 24.40	8.0
Granted	—	$ —	
Exercised	(17,816)	$ 26.43	
Forfeited	—	$ —	
Nonvested Options December 31, 2021	20,626	$ 22.64	7.8
Granted	104,465	25.31	
Vested	(9,354)	24.42	
Forfeited	(6,672)	26.01	
Nonvested Options at December 31, 2022	109,065	$ 24.67	9.1

The following table presents restricted stock award data for the period indicated.

	Number of Shares	Weighted Average Grant Date Fair Value Price	Weighted Average Remaining Service Period in Years
Nonvested at December 31, 2020	76,190	$ 24.08	6.3
Granted	—	—	0.0
Vested	(19,600)	24.67	5.2
Forfeited	(450)	20.38	
Nonvested Restricted Stock at December 31, 2021	56,140	$ 23.90	5.3
Granted	27,765	25.29	4.3
Vested	(16,065)	24.60	4.2
Forfeited	(3,715)	24.01	
Nonvested Restricted Stock at December 31, 2022	64,125	$ 24.32	4.3

NOTE 12—COMMITMENTS AND CONTINGENT LIABILITIES

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business primarily to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and performance letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statements of Financial Condition. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby and performance letters of credit written is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments and conditional obligations are evaluated the same as on-balance-sheet instruments but do not have a corresponding reserve recorded. The Company's opinion on not implementing a corresponding reserve for off-balance-sheet instruments is supported by historical factors of no losses recorded due to these items. The Company is continually evaluating these items for credit quality and any future need for the corresponding reserve.

The unused and available credit balances of financial instruments whose contracts represent credit risk are as follows:

December 31,	**2022**	**2021**
(Dollars in Thousands)		
Standby Letters of Credit	$ 110	$ 110
Performance Letters of Credit	1,064	2,873
Construction Mortgages	45,722	55,597
Personal Lines of Credit	6,824	7,055
Overdraft Protection Lines	5,241	5,709
Home Equity Lines of Credit	22,784	21,187
Commercial Lines of Credit	74,921	83,316
Total	$ 156,666	$ 175,847

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Performance letters of credit represent conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These instruments are issued primarily to support bid or performance-related contracts. The coverage period for these instruments is typically a one-year period with an annual renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized upon expiration of the letter. For secured letters of credit, the collateral is typically Company deposit instruments or customer business assets. The Company recorded no liability associated with standby letters of credit as of December 31, 2022 and 2021.

NOTE 13—STOCKHOLDERS'S EQUITY AND REGULATORY CAPITAL

In June 2021, the Company authorized a program to repurchase up to $7.5 million of its outstanding shares of common stock. Under the program, repurchases may be transacted in the open-market or in negotiated private transactions and are conducted pursuant to a trading plan adopted in accordance with limitations set forth in Rule 10b5-1 of the Securities and Exchange Commission. The Rule 10b5-1 repurchase plan allows the Company to repurchase its shares during periods when it would normally not be active in the market due to its internal trading blackout period. Repurchases are made at management’s discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to various factors, including but not limited to, the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company’s financial performance. On February 15, 2022, the Company completed this stock repurchase program. In connection with the program, the Company repurchased a total of 308,996 shares of the Company’s common stock at an average price of $24.27 per share.

In April 2022, the Company authorized a new repurchase program of $10.0 million of its outstanding shares of common stock. As of December 31, 2022 the Company had repurchased 62,178 shares at an average price of $22.47 per share for a total of $1.4 million. The plan is set to expire on May 1, 2023 and has a remaining value of $8.6 million to repurchase.

On January 26, 2023, the Company's Board of Directors declared a cash dividend of $0.25 per outstanding share of common stock, which was paid on February 28, 2023.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, each must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Under the Regulatory Capital Rules, in order to avoid limitations on capital distributions (including dividend payments and certain discretionary bonus payments to executive officers), a banking organization must hold a capital conservation buffer comprised of common equity Tier I capital above its minimum risk-based capital requirements in an amount greater than 2.5% of total risk-weighted assets.

As of December 31, 2022 and 2021, the Bank was considered "well capitalized" under the regulatory framework for prompt corrective action. At December 31, 2022 and 2021, the Bank's capital ratios were not affected by loans modified in accordance with Section 4013 of the CARES Act. In addition, PPP loans received a zero-percent risk weight under the regulatory capital rules regardless of whether they were pledged as collateral to the Federal Reserve Bank's PPP lending facility, but were included in the Bank's leverage ratio requirement due to the Bank not pledging the loans as collateral to the PPP lending facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Bank's regulatory capital amounts and ratios, as well as the minimum amounts and ratios required to be well capitalized at the dates indicated.

	2022		2021	
December 31,	**Amount**	**Ratio**	**Amount**	**Ratio**
(Dollars in Thousands)				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)				
Actual	$ 121,188	12.33%	$ 113,086	11.95%
For Capital Adequacy Purposes	44,221	4.50	42,571	4.50
To Be Well Capitalized	63,875	6.50	61,491	6.50
Tier I Capital (to Risk-Weighted Assets)				
Actual	121,188	12.33	113,086	11.95
For Capital Adequacy Purposes	58,961	6.00	56,761	6.00
To Be Well Capitalized	78,615	8.00	75,682	8.00
Total Capital (to Risk-Weighted Assets)				
Actual	133,478	13.58	124,668	13.18
For Capital Adequacy Purposes	78,615	8.00	75,682	8.00
To Be Well Capitalized	98,269	10.00	94,602	10.00
Tier I Leverage Capital (to Adjusted Total Assets)				
Actual	121,188	8.66	113,086	7.76
For Capital Adequacy Purposes	55,969	4.00	58,307	4.00
To Be Well Capitalized	69,962	5.00	72,884	5.00

NOTE 14—OPERATING LEASES

The Company evaluates all contracts at commencement to determine if a lease is present. In accordance with ASC Topic 842, leases are defined as either operating or finance leases. The Company's lease contracts are classified as operating leases and create operating ROU assets and corresponding lease liabilities on the Consolidated Statements of Financial Condition. The leases are primarily ROU assets of land and building for branch and loan production locations. ROU assets are reported in Accrued Interest Receivable and Other Assets and the related lease liabilities in Accrued Interest Payable and Other Liabilities on the Consolidated Statements of Financial Condition.

The following tables present the lease expense, ROU assets, weighted average term, discount rate and maturity analysis of lease liabilities for operating leases for the periods and dates indicated.

Year Ended December 31,	**2022**	**2021**
(Dollars in Thousands)		
Operating	$ 350	$ 330
Short-term	—	34
Variable	28	31
Total Lease Expense	$ 378	$ 395

December 31,	**2022**	**2021**
(Dollars in Thousands)		
Operating Leases:		
ROU Assets	$ 1,926	$ 674
Weighted Average Lease Term in Years	8.13	7.33
Weighted Average Discount Rate	2.87%	2.51%

December 31,		2022
(Dollars in Thousands)		
Maturity Analysis:		
Due in One Year	$	358
Due After One Year to Two Years		355
Due After Two Years to Three Years		272
Due After Three Years to Four Years		233
Due After Four to Five Years		233
Due After Five Years		888
Total	$	2,339
Less: Present Value Discount		251
Lease Liabilities	$	2,088

Impairment of ROU Assets

ROU assets from operating leases are subject to the impairment guidance in ASC 360, *Property, Plant, and Equipment,* and are reviewed for impairment when indicators of impairment are present. ASC 360 requires three steps to identify, recognize and measure impairment. If indicators of impairment are present (Step 1), the Company performs a recoverability test (Step 2) comparing the sum of the estimated undiscounted cash flows attributable to the ROU asset in question to the carrying amount. If the undiscounted cash flows used in the recoverability test are less than the carrying amount, the Company estimates the fair value of the ROU asset and recognizes an impairment loss when the carrying amount exceeds the estimated fair value (Step 3).

At June 30, 2021, the Company consolidated six branches as part of its branch optimization initiative. One of the branches was leased and the Company performed the three-step evaluation as outlined above to determine whether the operating lease was impaired. As part of the recoverability test, the Company elected to exclude operating lease liabilities from the carrying amount of the asset group. The undiscounted future cash flows used in the recoverability test were based on assumptions made by the Company rather than market participant assumptions. Since an election was made to exclude operating lease liabilities from the asset or asset group, all future cash lease payments for the lease were also excluded. In addition, the Company elected to exclude operating lease liabilities from the estimated fair value, consistent with the recoverability test When determining the fair value of the ROU asset, the Company estimated what market participants would pay to lease the asset. The ROU asset was valued assuming its highest and best use in its current form.

Based on the analysis, the Company concluded that the ROU asset for this branch was fully impaired as of June 30, 2021, resulting in a remaining ROU carrying value of zero and the recognition of a $227,000 impairment for year ended December 31, 2021. The impairment was recognized in Occupancy expense on the Consolidated Statements of Income.

NOTE 15—MORTGAGE SERVICING RIGHTS

The following table presents MSR activity and net carrying values for the periods indicated.

	Servicing Rights	Valuation Allowance	Net Carrying Value
(Dollars in Thousands)			
December 31, 2020	$ 1,029	$ (373)	$ 656
Additions	100	—	100
Amortization	(300)	—	(300)
Valuation Allowance Adjustment	—	274	274
December 31, 2021	$ 829	$ (99)	$ 730
Additions	—	—	—
Amortization	(196)	—	(196)
Valuation Allowance Adjustment	—	99	99
December 31, 2022	$ 633	$ —	$ 633

Amortization of MSRs and the period change in the valuation allowance are reported in Other Income on the Consolidated Statements of Income.

Real estate loans serviced for others, which are not included in the Consolidated Statements of Financial Condition, totaled $83.4 million and $96.6 million at December 31, 2022 and 2021, respectively.

NOTE 16—FAIR VALUE DISCLOSURE

ASC Topic 820 "Fair Value Measurement" defines fair value and provides the framework for measuring fair value and required disclosures about fair value measurements. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the transaction date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs used in valuation methods to determine fair value.

The three levels of fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

This hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The following table presents the financial assets measured at fair value on a recurring basis and reported on the Consolidated Statements of Financial Condition as of the dates indicated, by level within the fair value hierarchy. The majority of the Company's securities are included in Level 2 of the fair value hierarchy. Fair values for Level 2 securities were primarily determined by a third-party pricing service using both quoted prices for similar assets, when available, and model-based valuation techniques that derive fair value based on market-corroborated data, such as instruments with similar prepayment speeds and default interest rates. The standard inputs that are normally used include benchmark yields of like securities, reportable trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. There were no transfers from Level 1 to Level 2 and no transfers into or out of Level 3 during the years ended December 31, 2022 and 2021, respectively.

December 31,	Fair Value Hierarchy	2022	2021
(Dollars in Thousands)			
Securities:			
Available-for-Sale Debt Securities			
U.S. Government Agencies	Level 2	$ 44,634	$ 52,561
Obligations of States and Political Subdivisions	Level 2	13,342	18,955
Mortgage-Backed Securities - Government-Sponsored Enterprises	Level 2	41,427	56,559
Collateralized Mortgage Obligations - Government Sponsored Enterprises	Level 2	79,642	86,583
Corporate Debt	Level 2	8,315	7,450
Total Available-for-Sale Debt Securities		187,360	222,108
Equity Securities			
Mutual Funds	Level 1	875	990
Other	Level 1	1,823	1,876
Total Equity Securities		2,698	2,866
Total Securities		$ 190,058	$ 224,974

The following table presents the financial assets measured at fair value on a nonrecurring basis on the Consolidated Statements of Financial Condition as of the dates indicated by level within the fair value hierarchy. The table also presents the significant unobservable inputs used in the fair value measurements. Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secure the impaired loans include quoted market prices for identical assets classified as Level 1 inputs or observable inputs, employed by certified appraisers, for similar assets classified as Level 2 inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level 3 inputs.

Financial Asset	Fair Value Hierarchy	December 31, 2022	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
(Dollars in Thousands)						
Impaired Loans Individually Assessed	Level 3	$ 1,591	Appraisal of Collateral (1)	Appraisal Adjustments (2)	0% to 8%	7.2%

Financial Asset	Fair Value Hierarchy	December 31, 2021	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
(Dollars in Thousands)						
Impaired Loans Individually Assessed	Level 3	$ 1,980	Appraisal of Collateral (1)	Appraisal Adjustments (2)	0% to 50%	15.8%
MSRs	Level 3	141	Discounted Cash Flow	Discount Rate	9% to 11%	10.2%
				Prepayment Speed	6% to 36%	16.0%
OREO	Level 3	36	Appraisal of Collateral (1)	Liquidation Expenses (2)	10% to 30%	26.6%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which may include various Level 3 inputs, which are not identifiable.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of appraisal adjustments and liquidation expense are presented as a percent of the appraisal.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. Fair value is measured based on the value of the collateral securing the loans and is classified as Level 3 in the fair value hierarchy. At December 31, 2022 and 2021, the fair value of impaired loans consists of the loan balance of $1.6 million and $2.3 million less their specific valuation allowances of $24,000 and $299,000, respectively.

The fair value of MSRs is determined by calculating the present value of estimated future net servicing cash flows, considering expected mortgage loan prepayment rates, discount rates, servicing costs and other economic factors, which are determined based on current market conditions. The expected rate of mortgage loan prepayments is the most significant factor driving the value of MSRs. MSRs are considered impaired if the carrying value exceeds fair value. Since the valuation model includes significant unobservable inputs as listed above, MSRs are classified as Level 3.

OREO properties are evaluated at the time of acquisition and recorded at fair value, less estimated selling costs. After acquisition, OREO is recorded at the lower of cost or fair value, less estimated selling costs. The fair value of an OREO property is determined from a qualified independent appraisal and is classified as Level 3 in the fair value hierarchy.

Financial instruments are defined as cash, evidence of an ownership in an entity, or a contract which creates an obligation or right to receive or deliver cash or another financial instrument from/to a second entity on potentially favorable or unfavorable terms.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If no readily available market exists, the fair value estimates for financial instruments should be based upon management's judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses and other factors, as determined through various option pricing formulas or simulation modeling. As many of these assumptions result from judgments made by management based upon estimates that are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in the assumptions on which the estimated fair values are based may have significant impact on the resulting estimated fair values.

The estimated fair values of the Company's financial instruments at the dates indicated are as follows:

December 31,	Fair Value Hierarchy	2022 Carrying Value	2022 Fair Value	2021 Carrying Value	2021 Fair Value
(Dollars in Thousands)					
Financial Assets:					
Cash and Due From Banks:					
Interest Bearing	Level 1	$ 82,957	$ 82,957	$ 63,968	$ 63,968
Non-Interest Bearing	Level 1	20,743	20,743	55,706	55,706
Securities	See Above	190,058	190,058	224,974	224,974
Loans, Net	Level 3	1,037,054	1,011,098	1,009,214	1,039,980
Restricted Stock	Level 2	2,749	2,749	3,403	3,403
Mortgage Servicing Rights	Level 3	633	1,000	730	773
Accrued Interest Receivable	Level 2	3,983	3,983	3,350	3,350
Financial Liabilities:					
Deposits	Level 2	1,268,503	1,264,846	1,226,613	1,227,653
Short-term Borrowings	Level 2	8,060	8,060	39,266	39,266
Other Borrowed Funds					
FHLB Borrowings	Level 2	—	—	3,000	3,000
Subordinated Debt	Level 2	14,638	13,490	14,601	15,000
Accrued Interest Payable	Level 2	355	355	486	486

NOTE 17—OTHER NONINTEREST EXPENSE

The details for other noninterest expense for the Company's Consolidated Statements of Income are as follows:

Year Ended December 31,	2022	2021
(Dollars in Thousands)		
Non-employee Compensation	$ 570	$ 611
Printing and Supplies	250	281
Postage	339	312
Telephone	518	612
Charitable Contributions	173	323
Dues and Subscriptions	174	156
Loan Expenses	538	390
Meals and Entertainment	143	122
Travel	173	107
Training	61	52
Bank Assessment	194	180
Insurance	275	233
Miscellaneous	436	520
TOTAL OTHER NONINTEREST EXPENSE	$ 3,844	$ 3,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18—CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

Financial information pertaining only to CB Financial Services, Inc., is as follows:

Statements of Financial Condition

December 31,	**2022**	**2021**
(Dollars in Thousands)		
ASSETS		
Cash and Due From Banks	$ 14,516	$ 18,567
Equity Securities, at Fair Value	1,822	1,877
Investment in Community Bank	107,727	126,262
Other Assets	814	1,123
TOTAL ASSETS	$ 124,879	$ 147,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other Borrowings	$ 14,638	$ 14,601
Other Liabilities	86	104
Stockholders' Equity	110,155	133,124
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 124,879	$ 147,829

Statements of Income

Year Ended December 31,	**2022**	**2021**
(Dollars in Thousands)		
Interest and Dividend Income	$ 78	$ 71
Dividend from Bank Subsidiary	4,947	9,675
Interest Expense	622	37
Net Interest and Dividend Income	4,403	9,709
Net (Loss) Gain on Securities	(54)	329
Noninterest Expense	19	12
Income Before Undistributed Net Income of Subsidiary and Income Tax Expense (Benefit)	4,330	10,026
Undistributed Net Income of Subsidiary	6,778	1,607
Income Before Income Tax (Benefit) Expense	11,108	11,633
Income Tax (Benefit) Expense	(139)	63
NET INCOME	$ 11,247	$ 11,570

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Statements of Cash Flows

Year Ended December 31,	**2022**	**2021**
(Dollars in Thousands)		
OPERATING ACTIVITIES		
Net Income	$ 11,247	$ 11,570
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Undistributed Net Income of Subsidiary	(6,778)	(1,607)
Noncash Expense for Stock-Based Compensation	600	566
Loss (Gain) on Equity Securities	55	(329)
Other, net	290	(423)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,414	9,777
INVESTING ACTIVITIES		
Purchases of Equity Securities	—	(100)
Proceeds from Sales of Equity Securities	—	36
NET CASH USED IN INVESTING ACTIVITIES	—	(64)
FINANCING ACTIVITIES		
Net Proceeds from Other Borrowings	37	14,601
Cash Dividends Paid	(4,920)	(5,168)
Treasury Stock, Purchases at Cost	(4,802)	(4,143)
Exercise of Stock Options	220	98
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(9,465)	5,388
(DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(4,051)	15,101
CASH AND DUE FROM BANKS AT BEGINNING OF THE YEAR	18,567	3,466
CASH AND DUE FROM BANKS AT END OF THE YEAR	$ 14,516	$ 18,567

The Parent Company's Statements of Comprehensive (Loss) Income and Statements of Changes in Stockholders' Equity are identical to the Consolidated Statements of Comprehensive (Loss) Income and the Consolidated Statements of Changes in Stockholders' Equity and are not presented.

NOTE 19—SEGMENT REPORTING AND RELATED INFORMATION

At December 31, 2022, the Company’s business activities were comprised of two operating segments, which are community banking and insurance brokerage services. CB Financial Services, Inc. is the parent company of the Bank and Exchange Underwriters, a wholly owned subsidiary of the Bank. Exchange Underwriters has an independent board of directors from the Company and is managed separately from the banking and related financial services that the Company offers. Exchange Underwriters is an independent insurance agency that offers property, casualty, commercial liability, surety and other insurance products.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table represents selected financial data for the Company's subsidiaries and consolidated results for 2022 and 2021.

	Community Bank	Exchange Underwriters, Inc.	CB Financial Services, Inc.	Net Eliminations	Consolidated
(Dollars in Thousands)					
December 31, 2022					
Assets	$ 1,409,510	$ 5,585	$ 124,879	$ (131,036)	$ 1,408,938
Liabilities	1,301,783	1,996	14,724	(19,720)	1,298,783
Stockholders' Equity	107,727	3,589	110,155	(111,316)	110,155
December 31, 2021					
Assets	$ 1,425,588	$ 5,110	$ 147,829	$ (153,048)	$ 1,425,479
Liabilities	1,299,325	1,731	14,705	(23,406)	1,292,355
Stockholders' Equity	126,263	3,379	133,124	(129,642)	133,124
Year Ended December 31, 2022					
Interest and Dividend Income	$ 47,632	$ 6	$ 5,025	$ (4,947)	$ 47,716
Interest Expense	4,159	—	622	—	4,781
Net Interest and Dividend Income	43,473	6	4,403	(4,947)	42,935
Provision (Recovery) for Loan Losses	3,784	—	—	—	3,784
Net Interest and Dividend Income After (Recovery) Provision for Loan Losses	39,689	6	4,403	(4,947)	39,151
Noninterest Income (Loss)	3,867	6,007	(54)	—	9,820
Noninterest Expense	30,737	4,135	19	—	34,891
Undistributed Net Income of Subsidiary	1,315	—	6,778	(8,093)	—
Income Before Income Tax Expense	14,134	1,878	11,108	(13,040)	14,080
Income Tax (Benefit) Expense	2,409	563	(139)	—	2,833
Net Income	$ 11,725	$ 1,315	$ 11,247	$ (13,040)	$ 11,247
Year Ended December 31, 2021					
Interest and Dividend Income	$ 43,481	$ 6	$ 9,746	$ (9,676)	$ 43,557
Interest Expense	3,368	—	37	—	3,405
Net Interest and Dividend Income	40,113	6	9,709	(9,676)	40,152
(Recovery) Provision for Loan Losses	(1,125)	—	—	—	(1,125)
Net Interest and Dividend Income After (Recovery) Provision for Loan Losses	41,238	6	9,709	(9,676)	41,277
Noninterest Income	10,338	5,613	329	—	16,280
Noninterest Expense	38,810	4,040	12	—	42,862
Undistributed Net Income of Subsidiary	1,105	—	1,607	(2,712)	—
Income Before Income Tax Expense	13,871	1,579	11,633	(12,388)	14,695
Income Tax Expense	2,588	474	63	—	3,125
Net Income	$ 11,283	$ 1,105	$ 11,570	$ (12,388)	$ 11,570

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BOARD OF DIRECTORS


Mark E. Fox
Chairman


Charles R. Guthrie, CPA
Vice Chairman


John H. Montgomery
President & Chief Executive Officer


Karl G. Baily
Director


Jonathan A. Bedway
Director


Richard Boyer
Director


Ralph Burchianti
Director


Joseph N. Headlee
Director


John J. LaCarte
Director


Roberta Robinson Olejasz
Director


David F. Pollock
Director


John M. Swiatek
Director

Ralph J. Sommers, Jr.
Chairman & Director Emeritus

Charles R. Baily
Director Emeritus

Barron P. McCune, Jr.
Director Emeritus

William G. Petroplus
Director Emeritus

Executive Management

John H. Montgomery
President & Chief Executive Officer

Ralph Burchianti
Senior Executive Vice President
& Chief Credit Officer

Jennifer L. George
Senior Executive Vice President
& Chief Operations Officer

Alan Bicker
Executive Vice President,
Chief Consumer Banking Officer

Benjamin Brown
Executive Vice President,
Director of Client Experience
& Innovation

Jamie L. Prah, CPA
Executive Vice President
& Chief Financial Officer

Bruce Sharp
Executive Vice President,
Chief Commercial Banking Officer

Richard B. Boyer
Senior Vice President,
Insurance Operations

James M. Welsh, CIA, CFE
Senior Vice President,
Chief Auditor

Elizabeth A. Calvario
Corporate Secretary

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CB Financial Services, Inc. Stock
CB Financial Services, Inc. is a public reporting company that files periodic reports with the U.S. Securities and Exchange Commission and is traded on the NASDAQ Global Market® under the symbol CBFV

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